

# THE DEPARTMENT OF STATE



# Bulletin

Vol. XXXVIII, No. 972

February 10, 1958

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THE  
OFFICIAL  
WEEKLY RECORD  
OF  
UNITED STATES  
FOREIGN POLICY

THE DEPARTMENT OF STATE

# Bulletin

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February 10, 1958

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## Soviet Economic Challenge to U.S. Policy

by Willis C. Armstrong

Director, Office of International Resources<sup>1</sup>

I propose to speak this evening about the economic challenge which the rulers of the Soviet Union have placed before the free world.<sup>2</sup> We in Washington are constantly flooded with information concerning this Soviet economic drive, and we feel a strong compulsion to share our information more widely than has been the case heretofore. As a matter of fact, the information is by no means in a privileged category. Not enough attention, however, has been given to the subject, and perhaps we do not fully realize the importance for our own direct and immediate interests. Since I have some experience in this field, I thought it might be useful if I discussed with you what the threat is, why it exists, and what we in the United States can and should do about it.

The first questions which come to mind are, why do we face this challenge and how long may we expect it to exist?

A highly respected American political commentator some years ago suggested that the beginning of wisdom is to recognize that rivalry between Russia and the Western World did not begin with Lenin and Stalin and would not end if there were no Soviet regime in Russia. We know that throughout the 19th century there was extensive preoccupation with the growing power of Russia, on the part of Great Britain and other Western European countries. Our own consciousness of Russia as a great power coincides with the control of Russia by the Soviet regime. What

we face is at one and the same time both a great national state—Russia—and an international organization dominated by an ideology alien to our institutions and beliefs. It is never quite possible to identify which aspect of a Soviet policy or action has a purely Russian origin and which has an ideological or Communist origin.

Thus international communism and Russian ambitions have led to a position of great power rivalry with the West, and particularly with the United States. The challenge is political, military, psychological, and economic. The area of competition is the whole world, but recently the economic emphasis has been in Asia and Africa. The political and military aspect of this challenge has been apparent to Americans for a long time. The economic has been less so, and for a very good reason—there was no substantial economic challenge up to about 1953. In a situation of military stalemate, in part due to the terrors of technology, it is in the area of psychological maneuver and economic activity that the drive of the Soviet Union for world influence is being conducted; this circumstance is likely to continue for some time to come.

### Economic Capabilities of Soviet Union

I should now like to turn to the questions of how the Soviet Union is able to challenge us at all, and as to whether Soviet ability to mount this economic challenge may be expected to increase. The Soviet Union and its European satellites have a gross national product of about \$235 billion, by comparison with the U.S. gross national product of \$435 billion. A very large part of the Soviet Union's national product consists

<sup>1</sup> Address made before the Southern Illinois Manufacturers Association at St. Louis, Mo., on Jan. 17.

<sup>2</sup> For a summary of the Soviet economic offensive in recent months, see *BULLETIN* of Jan. 27, 1958, p. 144.

of agricultural output, and the Soviet Union's own industrial establishment is of fairly recent origin. The rate of growth of the Soviet economy is figured at about 5 percent per year, and the total gross national product should reach nearly \$350 billion by 1965, at which point something less than half of it is expected to consist of industrial production. Thus the first major point—the Soviet Union has a very substantial economy and can perfectly well afford to use abroad a portion of its resources for political and economic purposes.

The second point is that the Soviet Union has a totalitarian government which completely controls the economy. The Government decides the rate and nature of investment, and the Government can therefore cause the Soviet economy to grow in the direction it chooses. The Government has complete authority over its people as investors, workers, managers, consumers, and taxpayers. It can decide how well its people can live, and it therefore can deprive its population of the resources it wishes to use for economic purposes abroad. It can increase these resources without going through the process of an annual appropriation, without any public hearings, and without its population knowing how much of their resources are being used abroad for purposes of their Government. The Soviet Union does not publish, for benefit of its population, any reports on the amount of economic aid extended to other countries, or any information as to the relationship between such aid and the total national product or on the level of taxes. Thus, although the amount of economic aid extended by the Soviet Union has thus far been only a small percentage of its total national product, the means exists for great expansion if the Soviet Union decides to, and without objection from Soviet taxpayers. In fact, the Soviet Union has a very well organized system for dealing with such of its citizens as may not like the policy or actions of their Government. The knowledge of the existence of such a system does not lead people to challenge their Government's decisions.

The Soviet Union thus commands the material resources of a large and growing economy, and it also commands the human resources of a large, talented, and increasingly well educated population. It can send technicians abroad at its will. Being the sole employer, it does not have to com-

pete with alternative employment at home. No allowance thus need be made for potential objections by the technicians concerned. The rule is "from each according to his ability, to each according to his work." The habit of obedience to Government authority and the tendency to think that the Government knows best are generally well established in the Soviet Union and are becoming established in the satellites as well, although not without occasional objections by stubborn patriots.

One reason for acceptance of this state of affairs in the Soviet Union is a Russian habit of fairly long standing—the idea of emphasizing the importance of the collective rather than the individual. We have to remember that the Russian people never experienced the individualism of the Western Renaissance or Reformation and never were accustomed to the Western concepts of the rights of man or of representative government. What they were accustomed to was a sense of mission for Russia and a feeling of collective solidarity in resistance to excessive foreign influence, especially when exerted by countries of superior technology. Now that Russia itself has achieved an improved technological level, this group determination to excel, especially in material ways, must give us pause.

Finally, we must note the importance of ideology in the Soviet system. While we may find the ideology of communism contrary to morality, to common sense, and to material evidence in economics and history, we nevertheless must remember that Soviet people may well believe their ideology. In any event, the Soviet Government acts to perpetuate the ideology and to advance it. The ideology speaks of the inevitability of conflict between the Soviet system and what is called capitalism. Even though the ideology itself has become rigid and rather scholastic, the dynamism of its adherents requires us to consider with great care any area or topic to which the Soviet Government addresses itself. The party line may shift from time to time, but the objectives do not vary.

There is no excuse for not knowing what the Soviet Union is doing. In the first place, Soviet leaders have repeatedly told the world of their intentions. Last November Mr. Khrushchev, in talking with a prominent American publisher, made no effort to be subtle or obscure. He said, "We declare war upon the United States in the



peaceful field of trade. The threat to the United States is not the ICBM, but in the field of peaceful production." This statement must be read in the context of another Khrushchev statement, made to some American Congressmen in 1955, as follows: "We value trade least for economic and most for political purposes."

The Soviet Union and its satellites have mounted a major trade-and-aid offensive, designed to carry out the political purposes and policies of the Soviet Union, which are themselves dictated by a blend of Russian imperialism and international Communist ideology. They have also undertaken a propaganda and psychological campaign designed to magnify the Soviet efforts and minimize the achievements of the West, to imply that only the Soviet Union is interested in expanding trade and aid, and to suggest that the West is engaged in capitalist domination and in protecting or seizing markets. Through an efficient, no doubt expensive, and very large propaganda machine the Soviet Union is able to obtain maximum mileage in the minds of many people on account of its economic activities. It has always talked extensively about trade and implied that there was great advantage for other countries in trading with the Soviet Union. In earlier days the trade was small and the propaganda large. Now the trade and aid are much larger and the propaganda can have more content.

#### **Devices Used by Soviet Union**

The general theme of Soviet aid to people in Asia and Africa was announced recently by the Soviet Union delegate at an Asian-African conference in Cairo in these words: "We are ready to help you as brother helps brother. Tell us what you need and we will help you and send, to the best of our capabilities, money in the form of loans or aid." This pronouncement suggests the theme of most Soviet aid; perhaps we should examine, however, the devices used by the Soviet Union. In the first place, the Soviet Union selects target countries which are in great need of assistance or whose political situation lends itself to Soviet exploitation. Examples are well known to us, the most recent example of an impressive effort being Syria. Soviet aid tends to be sufficiently large in most of these selected countries so that a major impact is possible. The Soviet Union does not

tend to give aid simply because it is needed somewhere, albeit in small quantities. The Soviet Union emphasizes large and spectacular programs in carefully selected areas.

The second thing which invites attention to the Soviet method is that the Soviet Union provides what the country says it wants. The Soviet Union does not require the country to present justifications for projects, to explain the relationship of individual projects to other programs under way in the country, or to give a full account of the balance-of-payments position. It appears to act in such a way as to imply that it believes that the recipient country knows what it wants and that it will be able to repay any obligations undertaken. This approach is no doubt flattering to officials representing the less developed country and may lead them to make unfavorable comparisons with other countries which give aid but which ordinarily require some explanation as to the economic justification for the project. Furthermore, the Soviet Union moves swiftly. Once it has made an agreement with a country to furnish aid, this is promptly followed by technical missions, detailed plans, teams of experts, presentation of funds or equipment, and a prompt initiation of the project. This again produces a favorable impression on the country, as evidence of Soviet mechanical efficiency.

Credit is extended on very favorable terms. Interest rates run at about 2 or 2½ percent, or less than half the rate now charged by Western banking institutions. Repayment may be in local currency or in convertible foreign exchange, or sometimes in commodities.

Emphasis is made by the Russians on the idea that this is "aid without strings." Apparently it is, in terms of any political requests upon the governments concerned, at least in the immediate present. What happens later when the credits are due or what political requests may be made as a condition upon continued aid or expanded trade are not revealed in the beginning. In due course, however, if the Soviet Union runs true to form and if it follows the dictates of its own ideology, strings will appear. These will presumably be designed really to ensnare the victim. But this probability is not apparent when the first offers are made and accepted.

Soviet aid is usually for specific projects, usually engineered by Soviet technicians, and usually

identifiable as of major economic consequence or at least as of major conspicuousness in the economies concerned. Thus the Soviet Union has engaged itself to supply steel mills, aluminum plants, cement factories, sugar mills, and power-generating stations. It has done relatively little in agricultural assistance, perhaps a reflection of the Soviet Union's own agricultural difficulties at home.

#### **Drive for Trade**

In addition to aid through financial credits or technical assistance projects, the Soviet economic drive also encompasses trade. Here a great deal of attention is given by the Soviet Union to especially vulnerable areas in the world where local products are having difficulty being marketed. Iceland has, in effect, one export—fish. The Soviet Union has enhanced its position with Iceland by buying fish and furnishing oil in exchange. At a time when Burma had trouble selling rice, the Soviet Union stepped forward as a major purchaser. Similar interest has been shown in Egyptian cotton and in Ceylonese rubber.

Apparently the Soviet strategists watch with care developments in commodity markets and move briskly to take advantage of soft spots. The Soviet economic machine is well adapted for this purpose, since the Soviet economy can absorb large quantities of food, fiber, and minerals, the type of product which an underdeveloped country is likely to have for sale. Furthermore, the Soviet state trading monopoly is a well-organized, flexible instrument designed to buy goods as needed by the Soviet economy or for political purposes. It does not have to give any public accounting for its activities, nor does it have to seek any annual appropriations. An administrative decision can be made by the Soviet Government to acquire a quantity of a certain commodity in a given country at whatever price may be attractive to that country. Then the Soviet Government can follow its purchases by offering Soviet goods.

Soviet industrial goods are thus moving in trade, in ever-increasing quantities, into the less developed countries. The opportunity to acquire goods which do not appear to have ready markets, and upon the sale of which certain weak economies depend, is an opportunity which comes with some frequency in a world of economic and technological change. Many primary commodity markets have chronic weaknesses and suffer from severe

price instability; both of these are in fact hard to correct, and the apparent remedies are often impractical. The Soviet Union, for example, is in a position to attempt to make political profit by purchasing natural rubber, while referring to the fact that the United States is continuing to use ever larger quantities of synthetic rubber. What is not said is how much synthetic rubber the Soviet Union uses. This, of course, is a state secret in that country.

In addition to aid and trade, the Soviet Union has now developed arms-assistance arrangements with a number of countries. This provides the Soviet Union with an outlet for obsolete firearms and gives it an opportunity to penetrate the military establishments of the recipient countries. The implications are all too clear.

Thus far the total Soviet economic-aid effort, and total Soviet trade, are not really large as a part of total world movements of goods and money, but, aimed at carefully selected targets and manipulated with maximum favorable publicity, they have given us a very clear picture of what we may expect in the future in a more extended and more active form.

#### **Susceptibility of Less Developed Countries**

Let us now examine the extent to which the less developed countries of Asia, Africa, and perhaps Latin America are susceptible to Soviet aid and trade. The one overriding and dominant fact about these countries is their compulsion toward increased economic development and particularly toward industrialization. As a member of the Indian Parliament said recently, "This drive toward economic development is on, and the development will occur, by some means or other." All of these countries have a crying need for development capital, for technology, and for assured markets for their traditional exports. Every government which comes to power in a less developed country is pledged to increase economic activity, to industrialize, and to provide better goods and services for the ever-growing population.

These governments are not certain how they wish to do the job. They frequently have had experience with private enterprise from Western Europe or the United States, and the country may once have been a colony of one of the Western powers. If so, these people tend to associate in

their minds foreign private capital with foreign political influence. Unfortunately, when they look at the Soviet Union, they do not always associate Soviet political interests with Soviet economic offers nor do they observe the Soviet colonial empire enclosed within the borders of the U.S.S.R. They may look at the Soviet example of rapid economic development through highly centralized state authority and may regard it favorably, by comparison with the possibly slower, more democratic method of private enterprise and democratic government. There is great pressure to show quick results. The Soviet model looks attractive. Furthermore, Soviet representatives will be urging the nationalization of existing industry—especially Western-owned industry—as the quickest way to success.

Some less developed countries are institutionally not very enthusiastic about capitalism, are inclined to be preoccupied with preventing the return of "colonialism," and are inclined toward "socialism," perhaps to an extent sufficient to drive away potential private investors. They are, therefore, quite susceptible to Soviet economic aid because it represents investment without, apparently, any foreign equity. In theory, the installation will belong to the recipient country, to do with as it sees fit.

The Soviet Union appears as the most Asian country of Europe, as a champion of colonial peoples against imperialism, and as a peaceful trader in an area where there have never been any Russian colonies or any military Russian conquests. The Soviet diplomat or trader talks about mutual respect for sovereignty, noninterference in internal affairs, and offers "aid without strings." We may suggest that the Soviet Union uses methods of economic development which are a little rough on the Russians, and we may raise a suspicious eyebrow as to Soviet motives. The Asian may respond by some indication that Western colonial methods were also rough and may raise an eyebrow in regard to our motivation. In this circumstance there are interesting and profitable possibilities inherent in playing the Soviet offers against those of the West. Countries may feel that they can use the aid and trade of both sides to reinforce their independence and affirm a form of neutralism. In any event, their economies can certainly use whatever is offered in the way of equipment, technical help, and funds for

development projects. The economies of most of these countries cannot expand without outside help and cannot sit still without a danger of political explosion.

#### **Implications for American Foreign Policy**

Thus far little has been said about the implications of this challenge for American foreign policy. American objectives for the less developed countries of Asia and Africa are those we have for ourselves—political liberty, self-government, economic opportunity, and national independence. We desire these things for them first of all because they are right and second because such a program serves both their national interests and ours. We would not object to economic aid from the Soviet Union to the less developed countries as long as this aid did not in fact have political objectives inimical to these countries and as long as it made a genuine contribution to the welfare of the country concerned. We are apprehensive that Soviet economic aid may lead to Soviet political influence. We are anxious to see that our friends in Asia, Africa, and Latin America develop their economies through private enterprise and private investment to the maximum extent possible, because we believe that private enterprise is the key to real economic progress. We know that material progress can be made under totalitarian socialism, but material progress without liberty is not enough. We must be prepared to help less fortunate countries through direct aid, loans, the sale on concessional terms of agricultural surpluses, and through an opportunity to expand their own trade. Fundamentally the most important objective of our policy is the promotion of genuine national independence, both political and economic.

We need have no serious administrative or operational difficulties in giving aid to other countries. We do need continuing and understanding action by the Congress for this purpose, and particularly we need congressional support for the Development Loan Fund, which was established last summer to assist the countries of Asia, Africa, and Latin America in financing essential projects which are not likely to attract private money and which are not within the range of projects normally financed by the Export-Import Bank or the World Bank. The Congress appropriated \$300 million for this purpose in the current fiscal year and authorized \$625 million for the

next fiscal year. If the fund's resources can be brought up to the full authorization, they will provide us with an instrument useful in meeting the requirements of the underdeveloped areas. We should not, however, overlook the fact that this is but one element and that we shall also need continued authority under Public Law 480, which provides for the disposal of agricultural surpluses for local currency. Finally, we need funds for direct economic and military aid.

We do not seek to match Soviet offers of aid, country by country, project by project, or dollar for dollar. We have been giving aid to foreign countries for a considerable period of time, and most of them realize the usefulness and soundness of our aid programs.

One of the most attractive and interesting Soviet devices is the offer to buy goods from other countries when they are having trouble finding markets. As noted earlier, the Soviet Union can absorb very large quantities of agricultural or industrial raw materials, without any problems of digestion. In fact, additional supplies of such goods will be generally very useful to the Soviet economy. This is a device which can be used by a state monopoly and which cannot be directly emulated by the governments of free-enterprise countries. We cannot determine in the United States, by government decision, how much coffee or rubber or tin we shall import during a given year. We do not, as good Americans, wish to live in the kind of society in which the government makes decisions of this kind. But we must consider how to answer a serious challenge from a country which does have a government monopoly of foreign trade. Fundamentally there are two answers which a private-enterprise competitive economy can offer.

The first of these is the maintenance of a high level of economic activity throughout the free world. This high level of activity stimulates demand for the products of the less developed countries and encourages them to become more productive and to expand their sales in the Western World. A high level of economic activity also means the generation of funds for private investment and of funds for public assistance or credit. As contrasted with a Soviet economy which has generally isolated itself from the world market, the Western World presents the example of a market receptive to foreign goods and anxious to

increase its consumption of the necessities and luxuries of life. Shifts in demand and style occur, technology overtakes certain products, and changes are of course inevitable. Nevertheless, the industrialized countries of the world in North America, Europe, and the Far East continually expand their imports and consumption of the products of the less developed countries. They are also the source of most of the producer and consumer goods which the underdeveloped countries buy. These are made available on competitive terms of price, quality, and style with salesmen ready to assure efficient maintenance, spare parts, and service. The Western World is incomparable as a source of goods and capital, as a market, and as a center of learning and applied technology. A high level of economic activity in the United States, Canada, Europe, and Japan will provide for expanded economic relations with the underdeveloped countries and be conducive to their prosperity and welfare.

A high level of economic activity will not, however, by itself be enough to bring about the desired results. Governments must consciously and deliberately adopt policies which foster international trade and investment and which make it possible for the less developed countries to make their way on sound economic terms. Governments of free-enterprise countries cannot decide the scope and composition of their international trade, nor can they determine what their citizens will or will not do in buying and selling goods abroad. What they can do, however, is to set a framework for international trade and investment which will encourage maximum economic activity and development and which will provide stable conditions for economic growth. Under these circumstances progressive businesses will plan for expansion, for greater employment, and will be able to contribute to the economic stability of their countries. Uncertainty as to the prospects for trade inhibits such planning and development, retards economic growth, and leads to political and social concern and disaffection.

One of the primary guiding principles of economic thought has been the doctrine of comparative economic advantage, which has had its expression in what has been called a liberal trade philosophy. It very simply comes down to the idea that economic interests are best served by free competitive enterprise constantly determining



where things can be produced at the least cost. The prosperity of the modern Western World is in large measure due to the general application of this doctrine and to continued efforts to put it into practice. International economic cooperation is more likely to develop in an atmosphere of private business competition than in an atmosphere of intergovernmental competition to protect specific economic interests.

### **European Common Market**

It is in this context that some of the leading trading nations of Europe have committed themselves to establish a single common market, with freedom of internal movement of goods, capital, and labor and with identical tariffs levied on imports from other countries. Consideration is being given by still other European countries to association with these six in a free-trade area. The basic concept of expanding the European market so that it resembles in some measure the United States market in size and composition is a logical recognition of expanding interdependence in technology and economics among countries of the modern world. It should lead to a much greater prosperity, to a sounder economy for Western Europe as a whole, and thus to a general expansion of trade throughout the world.

The United States contribution to a world in which trade and investment move on the basis of economic advantage has been very extensive. Since the first passage of the Reciprocal Trade Agreements Act, in 1934, the United States has steadily progressed in negotiating the reciprocal reduction of trade barriers. We have also developed, cooperatively with other like-minded countries, a set of rules for international trade in the General Agreement on Tariffs and Trade, or GATT, and we have steadily worked to strengthen this agreement and to widen its area of application. We have negotiated a network of commercial and tax treaties to protect and stimulate international trade and investment. We have helped establish international financial institutions to deal with the international payments problems which often block the flow of private trade and investment.

Increasingly it is made clear to us that our own economic interests require the continuation and improvement of our efforts along these lines. The advent of the European Common Market offers a

striking illustration of this point. When a common tariff is established by the countries of the Common Market, the duty for any product will be somewhere between the highest and the lowest of existing duties. This will mean some tariff increases in some parts of the market on some of our export products. We have contractual rights under the GATT whereby we may demand compensation, in the form of new concessions, for most of these increases. We can further protect our trade position in the six countries—Germany, France, Italy, and the Benelux—if we can avail ourselves of their offer to negotiate, on a reciprocal basis, reductions in their newly established tariff. We cannot do this without the new 5-year authority under the Trade Agreements Act, which the President is requesting of the Congress.

There is great need for strengthening the economic bonds between the United States and the countries of Western Europe particularly. Our cooperation with these countries in the political and military sphere is already an established fact, and economic cooperation must be the basis for our joint efforts to expand and develop economic ties between the Western World generally and the less developed areas of Asia, Africa, and Latin America. If retaliation between governments in a race to protect their own industries becomes a general phenomenon in the North Atlantic Community, the only victors will be the masters of the Kremlin, and their field of victory may well be in the less developed countries. What we must have is an expanded community of common economic interest in the free world, in which the less developed countries may plan to sell their goods on profitable and stable terms and in which they may buy what they choose on a competitive basis.

It is in this sense that it is of surpassing importance that the United States be in a position to play its part, as a leader of the free world, in assuring equitable and stable conditions for trade.

The challenge of Soviet policy is vigorous and extensive. It would seek to displace us in export markets. It would seek to disrupt our political and cultural ties with the countries of Asia, Africa, and Latin America. It would seek to persuade other countries to nationalize enterprises in which we have invested our money. It would try to deprive us of access to imports essential to our industry, and it would seek to embroil us in political and economic quarrels with



countries with which we must be friends. The objectives of the Soviet Union are political and, in a large sense, military. The methods of competition in the underdeveloped areas of the world, and in parts elsewhere, are heavily economic. Everyone has economic problems, and these problems cry for solution. The Soviet Union offers a solution which is attractive at first sight to many countries. If we in the United States follow sound economic policies, however, and if we continue in our constructive efforts to promote human welfare and dignity, the peoples of the underdeveloped countries should have no trouble discerning the difference between the world of economic freedom and the Soviet world of political and economic imperialism.

## Secretary Dulles Leaves for Baghdad Pact Meeting

### STATEMENT BY SECRETARY DULLES

White House press release dated January 22

I have just discussed with President Eisenhower the forthcoming ministerial meeting in Ankara of the Baghdad Pact, which I am going to attend as head of the United States observer delegation.

The President has authorized me to express the deep concern of the United States for the security and economic development of this part of the free world and our constant and unwavering support for the principles of collective security symbolized by the Baghdad Pact.

The United States is fully conscious of the threat to the area which comes from the north. Formerly it was the threat of Czarist imperialism. Now it is the threat of Communist imperialism, again expressed only yesterday by the Soviet Union. We respect the proven courage and determination of these nations, their governments, and people to defend their independence. Several of them, Iraq, Turkey, Pakistan, and Iran, have joined together in the Baghdad Pact.

We applaud their exercise, pursuant to the United Nations Charter, of their inherent right of collective self-defense, and we are glad to help

them. Our will to do so has been particularly expressed in the Middle East resolution, adopted by the Congress in March 1957.<sup>1</sup>

En route to the Baghdad Pact meeting, I shall be able to stop off in Marrakech and to visit Tehran.

I look forward to my stop in Morocco, whose King we had the pleasure of welcoming in the

### Purpose of Secretary Dulles' Trip to Middle East

#### Department Statement

Press release 24 dated January 22

A Soviet official statement issued yesterday says that the purpose of Secretary Dulles' trip to the Middle East is to compel the Baghdad Pact nations of that area to accept United States rocket bases. That is totally false. The purpose of the Secretary's trip is to show United States sympathy and support for the security and independence of Russia's southern neighbors who now are, and for long have been, menaced by the imperialistic aggressive designs of their powerful neighbor to the north.

The Soviet statement further asserts that it would be a "sacrilege" for the Moslem countries of the Middle East to possess for their defense weapons such as those possessed by the Soviet Union. It is incredibly arrogant that those who boast of their atheistic system and of their intention to impose that system throughout the world should proclaim the doctrine that those who believe must, on that account, be doomed to be militarily inferior to the aggressive atheists.

United States recently. I shall be glad to talk again with Morocco's distinguished Foreign Minister. This will be my first visit as Secretary of State to that country with which we have so many ties of friendship.

Relations between Iran and the United States are close, and we have many interests in common. I, therefore, look forward to discussing many international questions with His Imperial Majesty, the Shah, and with his ministers, particularly since I have not had a recent opportunity for a personal exchange of views with Iranian leaders.

I expect to be back in Washington on February 1st.

<sup>1</sup> For text, see BULLETIN of Mar. 25, 1957, p. 481.

## ANNOUNCEMENT OF DELEGATION

Press release 23 dated January 20

The members of the U.S. observer delegation to the Fourth Meeting of the Ministerial Council of the Baghdad Pact Organization to be held at Ankara, Turkey, January 27-30 are:

### *Chairman*

John Foster Dulles, Secretary of State

### *Senior Advisers*

John O. Bell, Regional Director, International Cooperation Administration

Andrew H. Berding, Assistant Secretary of State for Public Affairs

Waldemar J. Gallman, Ambassador to Iraq

John Irwin, Deputy Assistant Secretary of Defense

G. Frederick Reinhardt, Counselor, Department of State

William M. Rountree, Assistant Secretary of State for Near Eastern, South Asian and African Affairs

General Maxwell Taylor, Chief of Staff, United States Army

Fletcher Warren, Ambassador to Turkey

## President Eisenhower Replies to Latest Soviet Note

White House press release dated January 20

*The White House on January 20 made public the following letter from the President to Marshal Nikolai A. Bulganin.*

JANUARY 20, 1958

DEAR MR. CHAIRMAN: I have received your letter of January 8.<sup>1</sup> I believe that I have dealt with the substantive matters which it contains in my message of January 12.<sup>2</sup> Should further study of your letter indicate that additional response is appropriate, I shall communicate with you at a later date.

Sincerely,

DWIGHT D. EISENHOWER

His Excellency Marshal NIKOLAI A. BULGANIN  
*Chairman of the Council of Ministers of the  
Union of Soviet Socialist Republics,  
Moscow*

<sup>1</sup> Not printed.

<sup>2</sup> BULLETIN of Jan. 27, 1958, p. 122.

## Ambassador Lodge To Visit Four Middle East Countries

White House press release dated January 21

The President announced on January 21 that Henry Cabot Lodge, the U.S. Representative to the United Nations, is leaving New York on January 28 to visit Iran, Afghanistan, Pakistan, and India as the guest of the governments of these countries. He will carry letters from the President to the chiefs of state of these countries.

The President and the Secretary of State agreed that Ambassador Lodge should accept the invitations of these governments which were extended to him at the United Nations. They thought that Ambassador Lodge, as a member of the Cabinet familiar with United States policy, could be useful in explaining—and in learning about—the problems which the United States has in common with the countries which Ambassador Lodge is to visit.

Ambassador Lodge expects to return to the United States within a month.

## President Asks Eric Johnston's Help on Planning Information Program

White House press release dated January 11

*The White House on January 11 made public the following letter from the President to Eric A. Johnston.*

JANUARY 11, 1958

DEAR ERIC: In recent weeks there have come to the White House many inquiries with respect to the foreign aspects of our national security. They indicate a natural and keen desire to receive fuller information in these particular fields.

In our free society the Government has a duty to keep the people informed on what it proposes to do and why. Without full public awareness it is difficult for the Nation to put forward maximum effort and obtain maximum results. During your service with the Government as Chairman of the International Development Advisory Board and through your travels abroad you have gained first-hand knowledge of our economic development and security problems.

In the light of the numerous requests that I have received, it would be highly gratifying to me and a great service to the Nation if you would be willing to call in Washington a conference of business and organization leaders, bipartisan in character, to explore means of conveying to our citizens a fuller flow of information on the foreign aspects of our national security.

I do hope that you will feel that you can give the time to do this.

Sincerely,

DWIGHT D. EISENHOWER

The Honorable ERIC A. JOHNSTON  
1600 Eye Street, N.W.  
Washington, D.C.

## A Quarter-Century of Inter-American Cooperation on Coffee

by Roy R. Rubottom, Jr.

*Assistant Secretary for Inter-American Affairs*<sup>1</sup>

I often have an opportunity to talk to our ambassadors individually about the importance of coffee in our relations with Latin America. Here it is my privilege to meet with hundreds, each of whom is in a position to influence our trade with Latin America and, through trade contacts, our relations with the coffee-producing countries in a practical way on a day-to-day basis. There was an old saying, "Trade follows the flag." In the modern world trade is the most important and constructive instrument, because of its mutual benefits, of a country's economic policy, both foreign and domestic. Thus, trade *is* our flag and helps to develop wider contacts—political, cultural, and scientific—between the people of the trading nations.

There is another reason why I seized the opportunity to join you today. To one charged with any responsibility for the conduct of U.S. relations with Latin America, the subject of coffee has overriding importance. This product is literally the lifeblood of millions of our friends in Latin America. Whether he be grower or banker, picker or packer, handler or shipper—or the alert government official who knows that his office's budget depends on coffee—his life is inex-

tricably wound up with the fate of that amazing little bean.

Knowing the stake that Latin America has in coffee, as do you and your fellow Americans in this country—the consumers—we cannot be oblivious to the fate of that product. It is to our common interest then, that of Latin America and the United States, to find rational solutions to coffee problems. I do not believe that our interests are basically antagonistic. We may not agree in all respects on solutions to problems, but we certainly agree that it is harmful to leave the problems unsolved for long and we try to minimize our differences. The following review, in my opinion, bears witness to this statement.

Here, briefly, are the developments that have taken place over the past 25 years in our approach to coffee problems in this hemisphere. We in the United States have come to recognize increasingly that coffee is a hemisphere problem, with an impact on our own economy as well as on that of the producing countries, and that its importance cannot be summed up in a trade figure. We have learned that coffee has an important bearing on the whole complex of our relations with the peoples and the governments of the countries that produce it.

Twenty-five years would take us back to 1933. We were in the middle of a worldwide depression. Brazil was undertaking, through a unilateral cof-

<sup>1</sup> Address made before the National Coffee Association of the United States of America at Boca Raton, Fla., on Jan. 13 (press release 9 dated Jan. 11).

fee stabilization program, to withdraw surplus coffee from the market and bring prices back to normal levels. Other producing countries benefited for some years from the Brazilian program, but they came to recognize in time that they had a common problem and that its solution would require combined action. In October 1936 the first Pan American Coffee Conference was convoked at Bogotá, Colombia. At that conference the Latin American producing countries discussed measures which they might take jointly to improve the condition of the industry, including the highly controversial question of export quotas and price stabilization. They were not able to reach agreement at that time. A second Pan American Coffee Conference was held at Habana, Cuba, in 1937, but again it proved impossible to develop measures acceptable to all the countries in attendance.

#### **The Coffee Situation During the War Years**

With the outbreak of the European war in September 1939, the coffee situation deteriorated rapidly. The European market was cut off almost completely. The United States was the only large market which remained accessible, and coffee supplies were literally dumped here at prices which would have been ruinous to the producers over any extended period. Confronted with conditions far worse than those which they had previously experienced, the coffee-producing countries of the hemisphere met for a third time in June 1940 in New York to try to reach agreement on measures to restore some stability to the industry.

During the depression years of the 1930's consumers in the United States, if they had any views on coffee prices at all, would probably have been concerned primarily with keeping the price at as low a figure as possible in order to help stretch the family budget. In 1940, with the war bringing all of us face to face with larger problems, there was a growing realization that the problems of the individual relate to a larger whole and that the hemisphere is a trading unit with reciprocal problems.

The United States Government expressed a sympathetic interest in the objectives of this third coffee conference, and at the invitation of the conference sent a representative to the meeting in the capacity of observer. This was tacit acknowledg-

ment by the government of a consuming country that consumers have a stake in a healthy coffee trade and that protection of their interests might be furthered by a sympathetic attention to producers' problems. Export quotas were actually worked out by this conference, but, as they were not approved by all governments, they never became effective.

In the late months of 1940, as the new coffee crop came to market, however, the European war spread and the situation became worse rapidly. Many of you here may recall how we and the producing countries sat down and worked out a cooperative approach to coffee problems during the war years. You know that the United States did cooperate with the producing countries in negotiating an Inter-American Coffee Agreement, under which a quota in the United States market was assigned to each of the producing countries of the hemisphere, based on its historic share in our market. You recall the many difficulties that were encountered and surmounted in the administration of that agreement over a period of 5 years. An essential feature of the agreement was the undertaking by the United States Government to limit the importation of coffee from non-participating countries.

At the inception of the agreement in April 1941 there was a problem of diversion of coffee ostensibly destined for foreign markets back into the United States, since prices were somewhat higher here than elsewhere. The producing countries could not control the movement of their coffee after it left their shores, and we in the United States had no means of controlling it except through the voluntary action of importers. Representatives of the National Coffee Association worked with the Inter-American Coffee Board to try to correct this, but it was finally necessary for the United States Government to impose import quotas. This it was able to do by virtue of the emergency powers then existing, and an Executive order was issued on September 18, 1941, which made it possible to maintain vigilance over the trade.

The Inter-American Coffee Board was successful in restoring prices of coffee in the United States to more normal levels within a short period of time. Standard-grade Brazilian coffee, which was selling for an average price of about 7 cents a pound in New York in 1940, rose to an average



of 11.4 cents in 1941 and by another 2 cents in 1942. In total, prices almost doubled over a 2-year period. This represented practical cooperation on the part of this country—the Government, the trade, and the consumer—and it was undertaken in advance of the United States' entry into the war.

Shortly after the United States entered the war, this Government found it necessary to establish maximum prices in order to combat inflation, and it was then the turn of the coffee-producing countries to accept the burden of a joint responsibility. For 4 years coffee prices were kept at their level of December 18, 1941. It was not until 1946 that the Office of Price Administration granted an increase, via a subsidy, in coffee prices. A rough measure of the cost to Latin America of cooperation during the difficult period of the war is found in the rapid rise in coffee prices after the removal of controls. Brazilian coffee, which averaged 18.7 cents a pound in 1946, rose to 26.4 cents in the New York market in the course of the next year.

At the end of the war this Government got out of the coffee business as rapidly as possible, to the satisfaction, I am sure, of both the domestic trade and coffee producers abroad. We have generally taken the view in this country that under normal conditions government regulation of trade should be kept to a minimum. Quotas under the Inter-American Coffee Agreement were lifted before the end of 1945. Later, price controls were removed and the Inter-American Coffee Agreement itself was permitted to expire.

In removing government controls on coffee, however, we did not lose sight of the fact that coffee's importance to the hemisphere is more far-reaching than its importance to the coffee trade alone. A Special Commission on Coffee was established within the framework of the Organization of American States to serve as a forum for continuing consultation between governments on such coffee problems as might arise affecting the *public* interest in distinction to the strictly *trade* interest. In the Special Commission on Coffee over the past 10 years we have exchanged views with representatives of the governments of the coffee-producing countries of this hemisphere on many questions, including the improvement of coffee statistics, measures for the control of coffee

diseases, studies of the long-range supply outlook—all problems of a general nature on which governments can usefully collaborate to improve and strengthen the infrastructure of the industry. The Special Commission on Coffee is the only permanent commodity committee of the Inter-American Economic and Social Council. This in itself affords a commentary on the importance of coffee in inter-American trade.

#### **Importance of Coffee in U.S. Trade**

How large a factor is coffee in our trade? It becomes more important all the time. Our imports of coffee in 1956 were valued at \$1.4 billion, and of this \$1.3 billion, or 91 percent of the total, came from Latin America. It outranked every other commodity in our trade with the other American Republics, as it has for a number of years. I understand that imports for 1957 are estimated to be about \$100 million lower than in 1956 but that this represents inventory adjustment, in large part, and that roastings are a little higher this year than last. United States imports of all commodities from the 20 American Republics were valued in 1956 at \$3.6 billion, and coffee accounted for more than one-third of the total. If we limit comparison to the 14 countries which export coffee, the percentage is even more imposing. 41 percent of the value of all U.S. imports from those countries was derived from coffee. No other commodity approaches coffee in importance to this hemisphere, measured either in terms of value of trade or number of countries concerned.

The reverse of the coin, at which we should also look, is the importance of the coffee trade to United States exporters. U.S. exports to Latin America in 1956 amounted to \$3.9 billion. That is about one-fifth of our total export trade. We sold over \$3 billion worth of goods to the 14 coffee countries alone. If we exclude Cuba and Venezuela, which pay for their purchases here with sugar and oil to a larger extent than with coffee, the remaining 12 coffee-producing countries still provide a very large market for American goods—roughly \$2 billion, or 10 percent of our export trade. American exporters are probably not fully aware of the extent to which their business in Latin America is dependent on a flourishing coffee trade. 50 percent of all Latin America's



imports in 1956 were obtained from the United States. The other American Republics bought about one-third of all autos and parts which we exported, a third of our exports of chemicals, and more than a fourth of all our machinery exports. This is big business and business which we can maintain only if we can provide a market of roughly equivalent magnitude for their products—especially coffee.

I do not need to labor this point. I think we all recognize that a sound and expanding coffee industry *is* important both to the producing countries and to the United States. Any differences in viewpoint focus on the methods by which we try to achieve that objective. There has been some disappointment in the producing countries that the United States was not prepared to join with them in undertaking to stabilize coffee prices by government action. The U.S. delegation voted for a resolution passed by the Economic Conference of the OAS held in Rio de Janeiro in 1954, directing the Special Commission on Coffee to make a study of the outlook for coffee over the next few years and, if serious problems arose, to suggest what action governments might take to help solve such problems. After careful study the U.S. Government concluded that the coffee situation did not, at that time at least, warrant a departure from the general principle, which we have held to for many years, of leaving business problems to businessmen and relying on customary market forces to correct any disequilibrium which might arise between supply and demand. I believe that this Government would take the same view today, although the question has not been up for consideration in recent months.

I reiterate that this does not mean that the United States Government is either unsympathetic to the problems of its closest neighbors or unaware that serious attention must be given to the coffee trade in all its aspects by this country as well as by the producing countries. For many Latin American countries coffee is the principal money crop. In five—i. e., Haiti, Brazil, Colombia, El Salvador, and Guatemala—70 percent or more of the total value of exports in 1956 was realized from sales of coffee. About two-thirds is marketed in the United States and one-third in Europe. The others are less dependent on coffee, but the 14 coffee-producing countries taken as a

group derived almost 30 percent of their total returns from foreign trade from this one commodity. And foreign trade is more closely related to living standards in Latin America than in the United States, where the economy is more diversified. Where the ratio of export trade to the gross national product is less than 5 percent in the United States, it may run as high as 16 percent for countries such as these, in an earlier stage of industrial development. In countries which are largely dependent on the export of a few basic products, the whole economy is geared to the outlook for those products. They provide the taxes that run the government. They pay the wages of a large proportion of the population, not only those directly employed but also those engaged in secondary industries. They are the source of the savings needed to move these countries forward in the development of their resources, whether industrial or agricultural, to raise living standards, and to improve educational standards.

#### **U.S. Assistance to Latin America**

We in the United States take almost as keen an interest in the attainment of these objectives throughout the hemisphere as the Latin American countries themselves. Within the U.S. Government a great deal of attention has been devoted to studying ways in which to help accelerate the advancement now taking place and which has made especially rapid strides in the postwar years. We have helped, I like to think, in a number of ways. Our technical assistance program in Latin America predated by many years comparable programs in other parts of the world. We have provided technicians in agriculture, in medicine, and in education. In my opinion it has been one of the most productive cooperative programs that this Government has ever undertaken, and the relatively small sums which have been spent on it are not an adequate measure of its importance to, among others for example, the farmers who have been taught how to get the most from their land and the mothers who have been taught how to feed and care for their children.

We have also stood ready, for over two decades, to help finance Latin America's capital requirements through loans from the Export-Import Bank. This instrumentality of the United States Government has authorized loans of over \$3 bil-

lion to Latin America since it was established in 1934. More than 40 percent of all loans made by the bank in the last decade have gone to Latin America. Additional capital has been provided in the past 2 years by sales for local currency of surplus agricultural commodities from the stocks of the Commodity Credit Corporation. Much of the local currency accruing from the sale is made available as a long-term credit for investment in approved development projects. Loan agreements have already been signed totaling over \$200 million, although not all of it has yet become available for investment, since the largest of these sales programs—the one with Brazil—extends over a period of 3 years and the funds become available only as the commodities are delivered.

Some of our assistance is channeled through international agencies. We contribute to the International Bank and the International Monetary Fund, both of which contribute effectively to meeting Latin American requirements for investment capital and technical advice on monetary problems. The International Finance Corporation was created, with our support, to help meet the need for development loans to entities other than governments; and the Development Loan Fund was established by the Congress last year on which Latin American countries will be able to draw.

Our concern with Latin America's problems has been evidenced in many ways and over many years, and I believe that it has been appreciated. However, the development of that great continent is being carried forward primarily by its own people. About 90 percent of the investment currently taking place in these countries is derived from domestic sources—local capital. That is why it is so important that their trade continue to expand and that the coffee trade in particular be developed with an eye to maximizing returns over the long run, for it has been the source of much of the wealth that was ploughed back into local investment in the postwar period.

I do not mean to imply that all coffee producers have become wealthy since coffee prices took their initial postwar jump. Costs have risen too. The rapid fluctuations in coffee prices have in themselves constituted a problem. When Assistant Secretary Cabot addressed the National Coffee Association in 1953, he devoted most of his ad-

dress to the need for developing a mutual understanding on the part of coffee producers and coffee consumers of one another's problems.<sup>2</sup> That was the year when Brazil suffered a hard freeze and coffee prices spiraled. Consumers reacted, rather naturally, by buying less coffee, but there was much acrimonious discussion in the Latin American press of "buyers strikes," while the U.S. press carried charges of speculation and price fixing. We have learned a great deal since then. Producers have learned that demand is not a constant but a curve, that careful consideration must be given to the reaction of consumers, and that the best way to expand sales and broaden their market is to provide a good product at a price that will attract purchasers.

#### **Program for Increasing Consumption of Coffee**

Lately, producing countries have again become worried that supplies of coffee in prospect over the next few years may be too large to be absorbed at prices which will maintain the industry's stability, and they are taking steps, on their own initiative, both to control the flow of supplies to market and to try to expand those markets through a trade-promotion campaign.

This second approach to the problem is one which we in the Government can endorse, and I assume it has the support of the National Coffee Association. Basically importers, roasters, and distributors have as much to gain by widening the consumer market as the producing countries have. Much can be accomplished in stimulating demand through well-conceived advertising campaigns. The amount of money budgeted by American business firms year after year for radio, television, and magazine advertising bears testimony to that fact. I understand that the governments of the principal coffee-producing countries have recently increased the assessment on coffee exports for promotion purposes from 10 cents to 25 cents per bag. I regard this as a constructive approach to the problem. It will permit the coffee industry to compete more effectively for consumer attention and will help to maintain market equilibrium by building up demand to meet increases in supply as they become available. European consumption could

<sup>2</sup> BULLETIN of Nov. 30, 1953, p. 751.

probably be increased appreciably if coffee could be brought within the means of a larger share of the population. Per capita consumption in Europe is still below prewar averages. In the United States we have no tax on green coffee, and per capita consumption is much higher than in those European countries which levy a high tax. However, I have no doubt that it could be increased. Per capita consumption is lower today, even in the United States, than it was before the 1954 price rise.

A program for increasing consumption is an area where the American coffee industry could collaborate with the coffee-producing countries with mutual benefit. Your membership, with its long experience in dealing with the American housewife, could offer sound advice. It is not, I think, an area in which this Government could appropriately give assistance.

There are problems relating to coffee which are of concern to the governments of consuming countries, however, and where they can properly offer their assistance. As I indicated, we have had a Special Commission in the Organization of American States for many years to discuss Western Hemisphere coffee problems. The Food and Agriculture Organization of the United Nations has established a number of special commodity committees for agricultural products which are important in international trade—cocoa, rice, grains, etc. The terms of reference of these committees include the collection of information on production, trade, and consumption, the analysis of trends in trade, and the outlook for the industry, disease control, improvement in production methods, and similar questions in which consuming and producing countries have a common interest. With coffee production increasing rapidly outside the Western Hemisphere, there might be definite advantages in broadening the basis for collaboration on coffee problems to include the producers of other continents. It would be desirable, however, in the interests of economy and of coordination of effort, to have as many international commodity study groups as possible established under the authority of a single organization.

As most of you know, a meeting is to be held in Rio de Janeiro later this month sponsored by many of the coffee-producing countries of this hemisphere to discuss the possibility of establishing a world coffee organization. The United

States was invited to attend, and we will be represented at the conference by an observer. I am hopeful that this will be a fruitful meeting and that the plans developed will be ones in which we can concur and in which we can cooperate. By expanding the fields of possible cooperation and narrowing the areas of possible disagreement, we achieve a better understanding of one another's problems and make their solution easier.

## **Pan American Day and Pan American Week, 1958**

### **A PROCLAMATION<sup>1</sup>**

WHEREAS on April 14, 1958, the twenty-one American Republics will celebrate the sixty-eighth anniversary of the founding of a bureau for inter-American cooperation which, as the Pan American Union, now serves as the permanent Organ and General Secretariat of the Organization of American States; and

WHEREAS the evolution of the Organization of American States into its present form has been accompanied by an ever-increasing solidarity of the peoples of the Republics of the Western Hemisphere; and

WHEREAS the Organization, as one of the important associations of free nations, contributes to hemispheric defense and to the advancement of international peace and the ideals of freedom:

NOW, THEREFORE, I, DWIGHT D. EISENHOWER, President of the United States of America, do hereby proclaim Monday, April 14, 1958, as Pan American Day, and the period from April 14 to April 20, 1958, as Pan American Week; and I invite the Governors of the States, Territories, and possessions of the United States of America and the Governor of the Commonwealth of Puerto Rico to issue similar proclamations.

I also urge our citizens and all interested organizations to join in the appropriate observance of Pan American Day and Pan American Week, in testimony of the steadfast friendship which unites the people of the United States with the people of the other American Republics.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Seal of the United States of America to be affixed.

DONE at the City of Washington this twenty-second day of January in the year of our Lord nineteen hundred and fifty-eight, and of the Independence of the United States of America the one hundred and eighty-second.



By the President:

CHRISTIAN A. HERTER

*Acting Secretary of State*

<sup>1</sup> No. 3218, 23 Fed. Reg. 525.

## High School Students and United States Foreign Policy

by *H. Schuyler Foster*  
*Chief, Public Studies Division*<sup>1</sup>

So much is said about high school students as engaged in training for future citizenship activities that I should like to start out today by emphasizing that you students already have a significant part in public affairs. Teen-agers are making constructive contributions in community affairs and on other domestic problems, but our topic today is the role of high school students in our foreign relations.

Every one of you, for example, is helping to pay for our foreign policy; and foreign policy costs a great deal more today than it did when your parents were in the high school age-bracket. Whenever you take your earnings from babysitting or helping out at the gas station and purchase a lipstick, or a handbag, or a movie ticket, your payment of the Federal tax becomes a direct contribution to the funds required to maintain our national defenses against the possibility of outside attack. Part of your tax money goes to maintain our mutual security program, which sends military materials to countries which have undertaken to defend themselves against Communist attack and which also assists other countries in securing their independence through development of their economic structure and the acquisition of technical knowledge.

All together, the Nation's high school students make a substantial contribution to these important defense and security programs; and you are entitled to feel that you participate directly in the maintenance of our country's basic foreign policies. If the money were not appropriated, and the taxes paid by the people, our foreign policy would there-

by be changed; and our prospects for national survival would also be changed.

The boys of this high school, of course, make an even more personal contribution to our foreign policy. Here, as in many high schools, large numbers are already engaged in military training; and all of you know that soon after graduation you become liable for active duty under the selective service law. It was only a few years ago that boys who had attended this high school—and thousands of other schools—were carrying out their country's foreign policies on the firing line in Korea. Had they not participated in this successful effort to throw back the Communist aggressors, the world would surely be a very different place today.

Turning to an entirely different phase of our foreign relations, we see high school students engaged in international trade. As purchasers or consumers of goods produced in foreign countries, you are direct participants in your country's foreign trade. If the high school students of America were to decide to buy no foreign goods, or no goods produced in some particular country, this would have a serious impact on our relations with other countries and on our mutual security program.

In yet another field, many high school students of America have been involved in the various exchange programs which have been developed in the years since the war. The way in which American teen-agers have received both teachers and students from other countries is bound to have a great impact on the way in which the people in other countries look upon us as a nation. Are we Americans trustworthy and cooperative, or are we greedy and war-minded? Many persons from other countries will judge us as a nation largely through their experiences with American high school students.

<sup>1</sup>Address made before the Social Studies Club at Woodrow Wilson High School, Washington, D. C., on Jan. 15.



## **Public Discussion of Foreign Policy**

In addition to participating in our foreign relations in these tangible ways, high school students have taken an important part in the public discussion of our foreign policies. When I was your age, I participated in a high school assembly debate on the question of whether or not the United States should join the League of Nations. Today high school students participate in television network programs on foreign affairs, quizzing the chief ministers of foreign governments, as well as leading figures in our own. There are a number of local TV and radio programs in which high school students have given the answers as well as asked the questions; and many of these programs have been appreciated by viewers and listeners of all ages.

In groups like this one here today, you can have discussions just as worth while for the participants as are the programs on TV. And fortunately there are many social studies clubs and international relations groups in the high schools across the country. We should keep in mind also the foreign affairs discussions within the family and among friends. Not all the parents of today's high school students had themselves the opportunity of attending high school; and many students are now carrying on the responsibility of explaining to their parents and neighbors the reasons which underlie our country's present foreign policies—so different from what our policies were 20 years ago.

I should like to emphasize that it is a worthwhile and patriotic service for each student to be well informed about the problems in our country's foreign relations and to understand why the United States has adopted its present foreign policies. Participation in discussion offers one of the best ways of formulating your own views on foreign policy.

## **State Department Services to High School Students**

Your Department of State has a lively appreciation of the role of high school students in foreign affairs and of the contributions which you students are making. The Department receives and answers many inquiries from students about foreign affairs; it can often supply pamphlets or press releases which provide fuller information on foreign policy topics than can readily be secured elsewhere. The State Department is often

able to provide speakers for the high school groups which visit the Department here in Washington. Last year, for example, nearly 50 different officers of the Department spoke to a total of 2,235 high school students. On occasion, also, the Department is able to send speakers to high schools, as at your meeting today. The Department does not maintain a corps of people to make speeches on foreign affairs; but when it sends a specialist to discuss a particular topic with a group in Omaha or New Orleans, the speaker may be able to add an appearance before a local high school assembly or social studies club.

The State Department is not equipped, of course, to carry information on foreign policy to every high school in the land. The schools themselves and our great information media—the newspapers, magazines, television, radio, and films—are the ones we look to for coverage of foreign affairs day in and day out. Showing the State Department's appreciation of the importance of various nongovernmental projects which dramatize the role of teen-agers in public affairs, several Secretaries of State have been happy to greet the members of Boys' Nation and Girls' Nation when these groups have visited Washington.

One special section of the State Department is concerned with the educational exchanges mentioned earlier. Soon after the end of World War II, a number of German high school students—as well as teachers—were brought to America so that they might gain a firsthand impression of how our democratic school system works. One reason why the Germany of today is so different from the Germany of Hitler is to be found in the changes made in the German school system at that time. Today the State Department does not itself handle exchanges at the high school level, but our Government definitely encourages visits of this sort. The Department has been able to offer friendly counsel to such organizations as the 4-H Clubs, and various other private organizations, when they were setting up their programs for sending groups of teen-agers for summer visits in foreign countries.

Your State Department realizes that high school students are an important part of the American public and that public support is essential if our foreign policies are to be successful. Without public support, the United States could not be an effective member of the United Nations or of the North Atlantic Treaty Organization and the other



regional defense organizations we belong to. High school students are an integral part of the public which must sustain our mutual security program and trade agreements program, if present U.S. aid and tariff policies are to continue in effect.

Your State Department also appreciates that young Americans who show an interest in foreign affairs during their high school years may become sufficiently interested to want to enter the Foreign Service and devote their lives to representing this country abroad. The Department is constantly looking for qualified young people—they usually take the examinations during their senior year at college—for appointment to our Foreign Service. Others who develop a strong interest in foreign affairs may take an active part in public discussion of our foreign policy for many years to come. We shall always need as many citizens as possible who take an intelligent interest in our foreign relations and help to create a deeper understanding of the problems which confront our nation in this sphere.

Every person in America has a vital stake in our foreign policy—our very survival may depend upon the wisdom with which our foreign relations are conducted. But American adults differ widely in the extent to which they are interested in foreign affairs. And one's education has a lot to do with the amount of interest which one takes in this field. Among Americans who have attended college, as many as 80 percent say that they "take much interest in world affairs." This is one of the findings of a public-opinion poll taken in 1951 by the National Opinion Research Center. At the other end of the scale of achievement in formal education, only 29 percent of those whose education ended in grammar school said that they took much interest in foreign affairs; the great majority, 71 percent, said they "didn't follow world affairs very closely." But notice how great a difference is associated with going to high school! Among those adults who have attended high school—even if they did not graduate—a full majority, 55 percent, claim "much interest" in world affairs.

Alongside this encouraging statistic we may note the steady increase in the proportion of young Americans who take the full high school course and actually graduate. As recently as 1920, only 16 percent of those in the appropriate

age-bracket completed the high school course. In 1956, the latest date for which the Office of Education has figures, this proportion had increased to 60 percent. Fortunately, this proportion is still increasing each year.

#### **What Teen-Agers Think About Foreign Policy Issues**

Now let's take a look at what the American high school students of today think about some of our country's basic foreign policies. In the first place, we may note that they are enthusiastic supporters of the United Nations. According to Eugene Gilbert of the Gilbert Youth Research Company, which has queried students in dozens of communities across the country, 94 percent are "in favor of the U.N." In this respect, high school youths manifest an attitude which is similar to that of their elders, but they are even more solid in their approval of the U.N. than the older folks appear to be. This fact holds quite a lot of significance for the future of our foreign policy, the fact that such an overwhelming majority of our young citizens begin their active thinking about foreign affairs with a favorable attitude toward U.S. participation in an international organization designed to maintain the peace. American youth a generation ago did not have this attitude.

At the same time we may note Mr. Gilbert's observation that only 23 percent of the boys and 30 percent of the girls claimed knowledge of the "work and functions of the U.N." Half of these "informed" teen-agers said they acquired most of their U.N. knowledge in school; but there is obviously plenty of room left for greater activity by our high schools in this respect.

Perhaps you would like to compare your ideas on how we should deal with Russia with those of other high school youth across the country. Mistrust of the Soviet Union is very prominent, with nearly 9 out of 10 of the sampled students saying that the Soviets cannot be trusted, according to a Gilbert survey. Nevertheless, about 3 out of 4 students feel that the United States should keep trying to negotiate a disarmament agreement with Russia. Even though the chances of reaching an agreement are not rated high, your counterparts in other schools tend to believe that the United States must make every reasonable effort to attain this goal. I would guess that you would find a similar pattern of opinion in this high school;

and the lineup of attitudes among grown-ups is not dissimilar.

On another important U.S. policy American youth registers its approval. Nearly 8 out of 10 uphold a policy of continuing U.S. aid to "friendly nations"; and their support is not shaken when a subsequent question introduces the possibility of a tax cut by eliminating the amount spent on aid. Mr. Gilbert is doubtless correct in suggesting that high school students are less conscious than older people of the taxes required to pay for the mutual security program; but actually American adults give comparable support to a U.S. program of aiding friendly nations. And these adults are presumably aware that our Government's aid program is financed by Federal taxes. It is surely a significant fact that not only have the American people supported for the past 10 years U.S. aid to other countries but the voters of tomorrow—who are in high school today—give it equal or greater support. Our Government leaders feel that it will be in the interest of this country to continue such aid for some years into the future.

Having examined the attitudes of present-day high school students on several foreign policy questions, we have seen that our teen-agers are in general agreement with the older members of the American public—and perhaps a little more favorable to relatively new policies, such as membership in the United Nations and a program of aid to other countries. One reason why you teen-agers tend to be more favorable, than are people over 60, to the newer foreign policies may be found precisely in the fact that you are in high school; many of our older people did not have that experience. We noted earlier the more education a person has, the greater his interest in foreign affairs.

### Relation of Opinion to Education

On some important issues, a person's position on the question may be closely related to his education. To take one example, a nationwide poll taken about a year ago showed that U.S. aid to uncommitted countries like India was supported by nearly 2 out of 3 among those in the sample who had attended college but by less than 1 out of 3 among those whose formal education ended in

grammar school. We do not find differences of such magnitude associated with educational background on all foreign policy questions. For instance, support for our participation in the United Nations and in the North Atlantic Treaty Organization is very high in all educational groups. But on this question of aid to "countries like India" the people who had attended high school were noticeably more favorable than those having less education: 48 percent compared with 31 percent.

Now, I think you'll agree that it is easier for a person to find merit in extension of economic aid to friendly and allied countries than to those countries which have refused to take a stand with us against the threat of Communist expansion. But our Government leaders have asked for aid to countries like India, and our Congressmen have voted such aid, because we believe that a country which is growing economically, and which is increasing its capacity to defend itself, is less likely to give in to Communist threats and propaganda than is an economically weaker nation. And it seems that the more education one has, the more appreciation of history, civics, government—the social studies, generally—the more readily one can understand the reasons which form the basis of our Government's policy on questions like this one.

Now, it is not *necessary* to attend high school or college to increase one's understanding of the world in which we must conduct relations with other countries. Many Americans have developed a real understanding of basic foreign policy problems without the benefit of much formal education. But education undoubtedly helps to promote the wide public understanding of foreign affairs which is our goal.

We have seen that high school students have a direct part in our foreign relations and that they make significant contributions to the current discussion of foreign policy. Your State Department recognizes how much high schools can contribute to broader public understanding of foreign affairs. It is not possible for all of you to find places on TV shows or to win exchange fellowships to Europe, Asia, or Latin America. But it is possible for each one of you to deepen your own understanding of our foreign relations and so to contribute to that public understanding which is essential in our democracy.

## **ICA Announces Interest Rates of Development Loan Fund**

The International Cooperation Administration announced on January 18 that the interest rate on loans made by the Development Loan Fund for non-profit-making projects will normally be 3½ percent. Interest rates on loans made to profit-making enterprises will generally parallel the interest rates charged by the Export-Import Bank, which presently range between 5½ and 5¾ percent.

These interest rates will, of course, be subject to any future changes in the cost of money to the U.S. Treasury.

## **U.S. Obligates Largest Share of Nonmilitary Aid to Far East**

In fiscal 1957 more than half of all mutual security funds, exclusive of direct military aid, were obligated for use in the Far East, the International Cooperation Administration reported on December 28.

This area comprises Korea, the Republic of China (Taiwan), Viet-Nam, Cambodia, Laos, Thailand, the Philippines, Japan, Indonesia, and Burma.

Obligations in these Far Eastern countries from fiscal 1957 mutual security funds totaled \$810,478,000, or 53 percent of total worldwide obligations of \$1,534,536,000 for defense support, development assistance, technical cooperation, and other non-military programs.

Most of the \$810,478,000—\$768,862,000—finances defense support in seven countries which maintain free-world defense forces much larger than their economies could otherwise support. These seven countries are Viet-Nam, Korea, the Philippines, Taiwan, Thailand, Laos, and Cambodia.

ICA pointed out that the high proportion of aid funds devoted to the Far East is indicative of the effort to strengthen these free countries, especially those which are still threatened by a renewal of Communist aggression and are targets of significant Communist efforts at internal subversion.

In addition to the ICA-administered mutual security assistance, over 45 percent of the fiscal

1957 direct military aid funds, administered under the Mutual Security Act by the Department of Defense, were earmarked for our allies in the Far East—to provide needed weapons and training.

Two countries, Japan and Indonesia, participate in the technical cooperation program, but neither received defense support assistance. Japan, however, is receiving direct military aid under the mutual security program. Indonesia received, in addition to \$7,000,000 for technical cooperation, \$4,718,000 from development assistance funds in fiscal 1957, \$718,000 of which was a portion of a \$15,000,000 line of credit granted to Indonesia on April 30, 1957, as a loan.

Burma entered into a loan agreement in the amount of \$25,000,000 but did not draw against its credits prior to June 30, 1957. Also, a loan agreement of the equivalent of \$17,000,000 in Burmese pyats, received from the sale to Burma of U.S. agricultural surplus commodities under Public Law 480, was concluded in March 1957. These pyats also are to finance local costs of economic development projects.

The mutual security programs, ICA said, have strengthened the defenses and economies of free countries in this strategic area of the world and have assisted their continued economic and technical advancement.

### **Some Aspects of Mutual Security Operations**

Among the significant aspects of the mutual security operations reported by ICA are:

1. The continued emphasis on the Far East is evidenced by the fact that fiscal 1957 was the fourth consecutive year in which 50 percent or more of mutual security funds were devoted to this area. By contrast, in 1953 only 12 percent of the total mutual security program, exclusive of direct military assistance, was used in the Far East. In 1954 the Far East received 49 percent of the funds, 54 percent in 1955, 52 percent in 1956, and 53 percent in 1957.

2. Korea and Viet-Nam, both of which fought Communist aggression, together received \$554,476,000 in defense support, or about 50 percent of the fiscal 1957 worldwide total of this category of aid. Both these countries are still divided and remain threatened by large Communist forces from the north. Between them these two nations maintain about 800,000 men under arms—far more than their own economies alone could support and still

maintain essential civilian services and a degree of economic development.

3. Five other Far Eastern nations maintaining large forces received defense support assistance as follows: Cambodia, \$32,499,000; Laos, \$42,974,000; the Philippines, \$28,913,000; China (Taiwan), \$80,000,000; and Thailand, \$30,000,000.

4. The military forces of the seven countries receiving defense support total approximately 1,800,000 men, ICA said.

5. Loans of mutual security funds to Far East countries during fiscal 1957 totaled a record \$105,000,000. They went to Viet-Nam, Thailand, China (Taiwan), Burma, Indonesia, and the Philippines.

6. \$98,121,000 of defense support to the Far East was extended in the form of U.S. surplus agricultural commodities, with ICA reimbursing the U.S. Commodity Credit Corporation for these farm products with dollars appropriated for mutual security. These commodities are sold for local currency which in turn is used to finance a country's military expenses and to help pay for projects related to the defense effort or otherwise used in support of the mutual security programs.

7. Taiwan provides an example of how loans and

U.S. agricultural surplus commodities are combined in the mutual security programs. Taiwan received \$80,000,000 in defense support in fiscal 1957, of which \$21,800,000 was in the form of surplus U.S. agricultural commodities. The United States loaned \$20,000,000 of the Taiwan currency proceeds from sale of these agricultural commodities back to the Government of the Republic of China for use in financing industrial development, this loan to be repaid over 40 years.

The accompanying table shows ICA's fiscal 1957 obligations worldwide, for the Far East, and by countries in the Far East.

The defense support totals shown in the table include loans as follows: Viet-Nam, \$25,000,000; China (Taiwan), \$20,000,000; the Philippines, \$10,000,000; and Thailand, \$10,000,000.

In addition, development assistance loans of \$25,000,000 to Burma and \$15,000,000 to Indonesia were made, but only \$718,000 against the Indonesian loan was obligated in fiscal year 1957 and none of the Burma credit was yet obligated.

Countries receiving agricultural surplus products as part of their aid programs were Korea, \$45,470,000; China (Taiwan), \$21,800,000; the

#### FY 1957 OBLIGATIONS

(in thousands of dollars)

	Defense support	Development assistance	Technical cooperation	Joint control and other	Total
Worldwide . . . . .	1, 141, 296	203, 410	126, 272	63, 558	1, 534, 536
Far East . . . . .	768, 862	<sup>1</sup> 4, 718	36, 198	700	<sup>2</sup> 810, 478
Cambodia . . . . .	32, 499		1, 981		34, 480
China (Taiwan) . . . . .	80, 000		3, 749		83, 749
Indonesia . . . . .		<sup>3</sup> 4, 718	7, 000		<sup>3</sup> 11, 718
Japan . . . . .			2, 297		2, 297
Laos . . . . .	42, 974		1, 484		44, 458
Korea . . . . .	<sup>4</sup> 299, 482		5, 482	700	305, 664
Philippines . . . . .	28, 913		4, 995		33, 908
Thailand . . . . .	30, 000		4, 500		34, 500
Viet Nam . . . . .	254, 994		4, 444		259, 438
Regional . . . . .			266		266

<sup>1</sup> Excludes 2-year \$25,000,000 credit to Burma, which was not drawn against in fiscal 1957.

<sup>2</sup> Excludes Asian Development Fund obligation of \$1,973,000 for multicountry telecommunications survey in Viet-Nam, Thailand, and Laos.

<sup>3</sup> Indonesia was extended a \$15,000,000 loan late in FY 1957 and had used only \$717,500 of it before the end of the year.

<sup>4</sup> Including \$5,330,000 in defense support funds used for armed forces assistance in Korea and for the Office of Economic Coordinator.



Philippines, \$17,000,000; Viet-Nam, \$13,051,000; and Cambodia, \$800,000.

Except for the development assistance loans for Burma and Indonesia, these loans and agricultural surplus products are included in the country aid totals shown in the accompanying table.

In addition, ICA authorized grants of surplus foodstuffs (under title II, Public Law 480) during the year to the following Far East countries: Japan, \$37,500,000 in wheat and powdered milk to launch a school lunch program which Japan agreed to continue; the Ryukyu Islands, \$2,181,000 in U.S.-owned Japanese yen (from P. L. 480 sales of U.S. rice in Japan) for relief purposes following a series of typhoons which heavily damaged the islands; and \$84,000 in cotton to Korea for relief purposes.

Of the \$773,580,000 in defense support and development assistance funds obligated in the Far East during fiscal 1957, \$667,217,000 was used to pay for commodities, mostly from the United States, to be sent to the recipient country. Some of these commodities are machinery and equipment for developmental projects, and some are goods to be sold for local currency which is then used in financing military, defense support, technical, and other projects.

Programs of the present general form began in these countries of the Far East as follows:

In China (Taiwan), the Philippines, and Indonesia, fiscal year 1951; in Korea, FY 1954; and in Viet-Nam, Cambodia, Laos, Thailand, and Japan, FY 1955. In Burma, where a \$25,000,000 loan credit was established late in fiscal 1957, development projects are about to get under way. For several years prior to 1953 Burma participated in a point 4 program with the United States.

From these beginnings through fiscal 1957, the U.S. share of free-world defense and economic and technical programs in the Far East through the mutual security program has totaled slightly more than \$4 billion. This is less than a quarter of the estimated \$18 billion which the United States alone spent in waging the Korean war.

#### **Aims of ICA Programs**

The particular form of the mutual security program in each country has been based on the specific types of support which the country requested and the United States agreed would serve mutual objectives. With the exception of Japan, the

countries of this region remain economically underdeveloped, characterized by an excessive dependence on agriculture and low income per person. Gross national product ranges from \$50 to \$200 per capita, as compared with over \$2,300 in the United States. Funds available for investment are very limited. In general, the aims of ICA programs have been:

1. To help maintain the caliber and size of defense forces at a level mutually agreed to be necessary;
2. To help meet emergency situations and carry out other programs affecting the welfare of the people;
3. To help build up the technical, managerial, and administrative competence of the governments and peoples; and
4. To encourage economic development and thus build up the broader economic base these nations must have to maintain their independence and meet a larger proportion of their financial requirements out of their own resources.

Much of the assistance made possible by these fiscal 1957 funds will materialize during the present fiscal year and to some extent in fiscal 1959, ICA said, as commodities, contracts, or services are delivered or performed during the coming months.

#### **Threat of Communist Aggression**

The Communist-held areas of the Far East are continuing to build up their military power. The free world is faced with over 3,000,000 Communist forces in Asia—some 2,500,000 Chinese; 350,000 north Koreans; and 350,000 north Vietnamese.

In north Korea, in violation of the armistice, the Communists have brought in modern weapons and built up the strength of the north Korean forces. Communist forces occupy battle positions opposite Taiwan, where they have built new airfields, railroad lines, and other facilities aimed at the bastion of Free China. In Laos, which has a border of over 600 miles with China and north Viet-Nam, two northern provinces have been occupied by the Communist-sponsored Pathet Lao, who are also engaged in subversive activities in other areas of the country. In north Viet-Nam, the Communist Viet Minh are ignoring the terms of the armistice and are building up their military forces. In Red China, the military buildup and modernization continues full tilt.



In the face of the Communist threat of armed aggression, and while fighting Communist subversion from within, free peoples in the Far East with U.S. defense support and technical cooperation have maintained their determination to retain their freedom and independence. They have been helped to maintain a reasonable degree of economic stability and have cured widespread inflation despite heavy expenditures for military purposes. Capacities for defense have been strengthened by improvement of facilities, such as transportation, communications, and electric power.

Communist efforts at subversion have been dulled by improved internal-security forces and progress in creating better living conditions for the people.

Schools and new governmental services have been established, designed to improve the skills and knowledge of the people as a whole, necessary to further economic and social advancement.

Substantial progress has been made in some fields, such as in the fight against malaria. Through the combined efforts of the countries themselves, the World Health Organization of the United Nations, and the U.S. assistance rendered through the mutual security program, a concerted attack on the world's number-one health problem has shown startling results. In Taiwan, where 1 out of every 4 persons had malaria in 1950, only 1 in 200 has it now. In the Philippines, where 1 in 10 formerly suffered from malaria, only 3 in 1,000 now suffer from the disease. Malaria has been almost eliminated in Thailand, where it once killed 40,000 persons a year.

#### **Benefits for Rural People**

Four-H clubs have taken root and flourished. In five countries, where the clubs were initiated with ICA help, there are nearly 7,000 different clubs with a membership of about 200,000 boys and girls, carrying out projects in agriculture, livestock raising, gardening, and homemaking with the same spirit and enthusiasm that characterizes this movement in the United States.

Widespread benefits for rural people are being felt throughout the Philippines and Taiwan. The Taiwan program under the Joint U.S.-China Commission for Rural Reconstruction has been so extensive that hardly a farm household exists which has not benefited from it. This widespread, low-cost, self-help program has controlled serious

crop diseases, nearly eliminated hog cholera, multiplied and distributed improved seeds, reorganized farmers' associations on a democratic basis, carried out an effective land-reform program, established rural health centers, improved and extended irrigation, and developed forestry, all of which have had a direct impact on farm life.

In the Philippines, another rural program jointly undertaken, staffed, and financed has helped farmers to establish agricultural credit and marketing cooperatives, to develop roads, to dig village wells, to improve irrigation. This has grown into a nationwide self-help "community development" program which will benefit the 85 percent of the Philippine population who get their living from the land.

A new approach to the expansion and improvement of medium- and small-sized industries is also being made in the Philippines. An industrial development center, recently established with U.S. assistance, offers technical services to potential investors and peso funds and dollars for loans when needed. In its first 2 years this center has facilitated the establishment or expansion of over 200 privately owned manufacturing plants, and it has demonstrated an effective technique for encouraging local, private investment in economic development.

Viet-Nam is starting an industrial development center similar to that of the Philippines.

Also in the field of industry, Japan has welcomed a program intended to improve techniques of marketing, industrial production, and management.

Through the technical cooperation program—a sharing of knowledge, experience, techniques, and skills—ICA is helping the peoples in all nine of the Far East countries to further their economic development and increase their standards of living.

In fiscal 1957 ICA had 871 technicians in the nine countries. An additional 928 U.S. nationals were working on ICA projects under contract. All of these technicians were specifically requested by the host government. Many of them were faculty members from 16 American universities and colleges with which ICA had contracted to provide assistance to Far Eastern universities or government departments.

During 1957 more than 1,500 participants from the Far East—doctors, nurses, public health specialists, teachers, labor leaders, agriculturists, engineers or technicians in many fields, and government civil servants in key or technical posi-

tions—were brought to the United States for study and training in their specialized fields.

It was to these programs and similar ones in other areas that President Eisenhower referred last May 21 when, in a message to the Congress,<sup>1</sup> he said:

The safety of our country, the preservation and strengthening of world peace, the minimizing of risk to American lives and resources in future years, all imperatively demand that we hold fast in our worldwide collective security effort.

In supplementing our country's defense, the tested and proven mutual security programs give the American people more security per dollar invested than any other expenditure they make.

In our most important task of all—the waging of peace—these programs lay firmer foundations than any other effort of our country.

For almost a decade every objective analysis has supported these views. . . .

Our mutual security programs have become, during the past 10 years, proven instruments of tremendous power for winning our struggle for peace. . . .

## **Advisory Committee on Arts Holds Initial Meeting**

### **DEPARTMENT ANNOUNCEMENT**

The Department of State announced on January 14 (press release 12) that the Advisory Committee on the Arts appointed by the Secretary of State under the terms of the International Cultural Exchange and Trade Fair Participation Act of 1956 would meet at the State Department for a 2-day session, January 15 and 16, to inaugurate its duties.

The members of the committee took their oath of office on January 15 and were greeted by Secretary Dulles at the opening session.

The committee, under the chairmanship of Rufus H. Fitzgerald, chancellor emeritus of the University of Pittsburgh, devoted its first sessions to receiving a general briefing concerning international programs in the arts sponsored or assisted by the United States Government. On the basis of such information they conducted their subsequent evaluations of the effectiveness and the adequacy of these programs.

Members of the committee in addition to Dr. Fitzgerald are:

Gilmore Clarke, architect

Sumner McKnight Crosby, art historian

LaMar Dodd, artist and art educator

Thor Johnson, musician

James Albert Michener, author

Robert Montgomery, actor and television executive

George Lloyd Murphy, actor and motion picture executive

Charles Nagel, art museum director

Mrs. Helen Crocker Russell, civic leader and art patron

The program included addresses by Senator Hubert H. Humphrey and Representative Frank Thompson, authors of the aforementioned legislation, and by Dr. Thurston J. Davies, Executive Director, Office of the United States Commissioner General for the Brussels Fair; Robert V. Dowling, Chairman, Board of Directors, American National Theater and Academy; Andrew H. Berding, Assistant Secretary of State for Public Affairs; Donald B. Cook, Staff Director, Departmental Staff of the United States Advisory Commission on Educational Exchange; E. Allan Lightner, Jr., Deputy Assistant Secretary for Public Affairs; Russell L. Riley, Director, International Educational Exchange Service; George V. Allen, Director, United States Information Agency; and Thomas Beggs, Director, National Collection of Fine Arts.

The purpose of the International Cultural Exchange and Trade Fair Participation Act is "to strengthen ties which unite us with other nations by demonstrating the cultural interests, developments, and achievements of the people of the United States, and the contributions being made by the United States economic and social system toward a peaceful and more fruitful life for its own people and other people throughout the world; and thus to assist in the development of friendly, sympathetic, and peaceful relations between the United States and the other countries of the world." It provides for appointment of an advisory committee on the arts to advise and assist the President and Government departments and agencies in the conduct of the cultural program authorized by this act and—with special reference to the role of the arts—in other international cultural activities.

The committee members were selected, under terms of the act, for their experience or interest in one or more of the arts.

<sup>1</sup> BULLETIN of June 10, 1957, p. 920.

## COMMITTEE STATEMENT

Press release 20 dated January 16

*The Advisory Committee on the Arts ended their 2-day session on January 16. At the conclusion of this meeting, the committee issued the following statement:*

As members of the Advisory Committee on the Arts, we are glad to place such special knowledge and experience as we may have at the service of our Government in its promotion of cultural relationships with other nations and peoples.

At a time of re-assessment of the nation's scientific and technological accomplishments, the creation of this Committee furnishes gratifying evidence that our Government is also concerned with America's cultural achievements. Our maturity in the arts can win us the respect of others as surely as our progress in science.

The Committee's initial meeting has been devoted to a familiarization with the Government's interest in the arts as a means of communication with other peoples, and of the various inter-related programs through which this interest is made evident. We have been impressed by the statements made to us. In particular, the Secretary of State spoke eloquently, and with manifest sincerity, of the importance he and the Department of State attach to demonstrating America's achievement in the arts as a hallmark of our national maturity. The remarks of the Honorable George V. Allen and other officials of the Executive Branch were of like character. Assurances were received from Senator Hubert Humphrey, Senator H. Alexander Smith, and Representative Frank Thompson that they and many of their colleagues in the Congress share fully in this interest in the arts in our international relations.

The reports received on the scope and effectiveness of our Government's programs for artistic presentations and exchanges were equally impressive to the Committee. The fact that so much has been accomplished with limited resources is a tribute to the ingenuity and imaginativeness of the administrators of these programs and to the generosity of so many of the artists who have participated and of public-spirited citizens and groups. The success to date suggests that consideration should be given to an expansion of these activities. It will be one of our important tasks as an advisory committee to give continuing review

and guidance to these programs—in particular to the President's Cultural Presentations Program and the reciprocal visits of artists under the international exchange program. It is our desire to be of assistance to the Department of State and to the other agencies, public and private, in the realization of the objectives of these programs.

We recognize the complexities of the relationship between Government and the arts, but we see no necessary incongruity in the artist's serving the legitimate ends of Government or in Government's giving recognition to the artist. We believe that in the arts integrity and quality are important watchwords, and within the framework of our relations with other nations we are confident that these values have been, and will be, honored.

The arts illumine the mind, kindle the spirit, and move the heart. Surely there can be few better ways to serve the cause of international understanding.

## Congressional Documents Relating to Foreign Policy

### 85th Congress, 1st Session

Informational Media Guaranty Program. Hearing before a subcommittee of the Senate Committee on Foreign Relations. October 7, 1957. 96 pp.

Report to Congress on the Mutual Security Program for the Six Months Ended June 30, 1957. H. Doc. 243, October 23, 1957. 39 pp.

Federal Expenditure Policy for Economic Growth and Stability. Hearings before the Subcommittee on Fiscal Policy of the Joint Economic Committee pursuant to sec. 5 (a) of Public Law 304, 79th Cong. November 18-27, 1957. 663 pp.

U.S. Participation in the U.N. Report by the President to the Congress for the Year 1956. H. Doc. 202, January 13, 1958. 325 pp.

### 85th Congress, 2d Session

Forty-first Annual Report of the United States Tariff Commission, 1957. H. Doc. 277, January 7, 1958. 59 pp.

Informational Media Guaranty Program. Report of the Senate Committee on Foreign Relations. S. Rept. 1178, January 16, 1958. 14 pp.

Report on Review of General Accounting Office Operations in Europe and the Major Programs Covered by the General Accounting Office in the European Area. 17th report by the House Committee on Government Operations. H. Rept. 1281, January 16, 1958. 106 pp.

Establishing a Commission and Advisory Committee on International Rules of Judicial Procedure. Report of the House Committee on the Judiciary to accompany H. R. 4642. H. Rept. 1283, January 20, 1958. 24 pp.

Economic Report of the President. H. Doc. 279, January 20, 1958. 199 pp.

## Foreign Developments and U.S. Economic Policy

### EXCERPTS FROM THE ECONOMIC REPORT OF THE PRESIDENT<sup>1</sup>

#### CHAPTER 3

##### FOREIGN DEVELOPMENTS AND THE AMERICAN ECONOMY

The interaction between economic developments in other countries and in the United States was again evident in 1957. In the early part of the year, foreign demand exerted a strongly expansive effect on the American economy. United States exports, which had already been rising rapidly with the growth in economic activity abroad, increased with unusual force as a result of demands arising from the closure of the Suez Canal and other temporary circumstances. These special demands subsided at the same time that the pace of economic expansion abroad slowed down, and United States exports declined from the record level of the first half of the year. United States imports varied only slightly, in total amount, from the 1956 level, though the demand for raw material imports declined in the latter part of the year, as a result of reduced industrial activity.

When economic activity contracted in 1953-54, United States demand for imports fell for a time. However, the outflow of dollars through capital investment and in other ways increased; this strengthened the foreign exchange positions of other countries and helped promote economic expansion. The continued rise in industrial production in Western Europe supported world trade and commodity prices and contributed to an upturn in economic activity in the United States.

<sup>1</sup> H. Doc. 279, 85th Cong., 2d sess.; transmitted to the Congress on Jan. 20; for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C. (65 cents).

In the months ahead, developments in the United States economy and in its external trade and financial relations will influence, and be influenced by, economic developments in other countries. It is important that policies pursued here and abroad promote economic growth and counteract strains that would lead to raising and hardening trade barriers among nations.

##### Changes in Production

Industrial production abroad (excluding output of countries in the Soviet bloc) averaged about 4 percent higher in 1957 than in 1956, and close to double the prewar output (Table 7). In most countries, the lead in the exceptionally rapid expansion since 1953 was taken by the metal and metal-fabricating industries, to meet strong home-investment and export demands. In the more developed countries, the demand for consumer durable goods also proved to be heavy, as incomes and levels of living rose; during 1956, textile manufactures, which had previously lagged, joined in the rise.

These gains in industrial production were achieved in Western Europe generally by May 1957, and there appears to have been no further over-all increase since then. Production in the Federal Republic of Germany, after a pace-setting rise up to mid-1956 and a further vigorous increase in the first quarter of 1957, fell in the summer but turned upward again in the autumn. The revival in the United Kingdom's industrial output starting in the spring did not go much beyond the level reached at the end of 1955. In France, however, the industrial upsurge that began in 1954 continued during 1957; but it was



TABLE 7.—World industrial production, 1955-57

[Index, 1953=100]

Country	1955	1956	1957			
			First quarter	Second quarter	Third quarter	Fourth quarter
World: <sup>1</sup>			Not seasonally adjusted			
Including United States . . . . .	110	<sup>2</sup> 115	119	120	<sup>3</sup> 115	( <sup>4</sup> )
Excluding United States . . . . .	118	<sup>2</sup> 125	129	133	<sup>3</sup> 127	( <sup>4</sup> )
			Seasonally adjusted			
OEEC countries . . . . .	119	125	130	131	131	<sup>3</sup> 131
Austria . . . . .	133	138	144	146	147	( <sup>4</sup> )
Belgium . . . . .	116	122	127	125	<sup>5</sup> 117	( <sup>4</sup> )
Denmark . . . . .	112	111	118	116	113	( <sup>4</sup> )
France . . . . .	117	<sup>6</sup> 129	142	143	144	<sup>7</sup> 151
Germany, Federal Republic . . . . .	129	139	147	148	146	<sup>7</sup> 146
Greece . . . . .	130	134	142	145	149	( <sup>4</sup> )
Ireland . . . . .	108	104	102	104	100	( <sup>4</sup> )
Italy . . . . .	118	128	135	137	138	( <sup>4</sup> )
Netherlands . . . . .	118	124	130	127	126	<sup>7</sup> 124
Norway . . . . .	117	122	123	128	128	<sup>7</sup> 128
Sweden . . . . .	111	114	118	120	119	( <sup>4</sup> )
United Kingdom . . . . .	114	113	113	116	116	<sup>7</sup> 115
Canada . . . . .	107	114	117	115	114	<sup>7</sup> 112
United States . . . . .	104	107	109	107	107	104
			Not seasonally adjusted			
India . . . . .	116	126	133	149	( <sup>4</sup> )	( <sup>4</sup> )
Japan . . . . .	117	142	150	164	164	<sup>7</sup> 159
Yugoslavia . . . . .	132	145	150	165	170	( <sup>4</sup> )
Argentina . . . . .	118	117	111	120	<sup>7</sup> 131	( <sup>4</sup> )
Chile . . . . .	102	104	95	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
Brazil . . . . .	112	112	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
Mexico . . . . .	119	130	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )

<sup>1</sup> Excluding U.S.S.R. and other members of the Soviet bloc.<sup>2</sup> Quarterly figures for 1956 are: for the world including United States, 114, 116, 112, 119; for the world excluding United States, 122, 128, 122, 130.<sup>3</sup> Preliminary estimates by Council of Economic Advisers.<sup>4</sup> Not available.<sup>5</sup> Reflects July strike.<sup>6</sup> Average of quarterly figures for 1956 would be 134.<sup>7</sup> Partial data for quarter.

Sources: United Nations and Organization for European Economic Cooperation (except as noted).

accompanied by inflationary pressures and produced an imbalance in trade and a depletion of foreign exchange reserves.

Industrial output in Canada leveled off in the early months of 1957 and then receded. Japanese production, after a long and rapid increase, declined after July. Industrial activity in India and Yugoslavia continued to expand rapidly, but this was not typical of less developed countries as a whole. In Latin America, the total volume of mining output expanded appreciably, but manufacturing appears to have been only moderately higher than in 1956.

Although the growth of demand slackened in some countries, a slower rate of increase in output was inevitable because, in a number of cases, industrial production had begun to crowd the physical limits set by existing plant capacity or by the supply of labor. Moreover, in response to the rise of prices and wages, the monetary authorities in most of the developed economies restricted credit, thereby restraining investment outlays. In several countries, loss of foreign exchange reserves as the result of trade deficits or speculative capital movements compelled policies of restraint.

## The Course of World Trade

Total world exports (excluding those of the Soviet bloc) reached an annual rate close to \$100 billion during the first half of 1957. In physical terms, exports were 8 percent above those in the first half of 1956 and nearly 40 percent above the same period of 1953 (Chart 13<sup>2</sup>). In recent months there has been little further expansion. Trade among the industrial countries accounted for most of the increase to mid-1957. In relative terms, however, some of the sharpest increases were in imports of certain of the less developed countries (Table 8). Most of this rise was in their trade with the United States and other industrially developed countries.

Purchases of American goods and services by foreign countries rose with exceptional vigor during the first quarter of 1957 to an annual rate of about \$27 billion, 25 percent higher than a year earlier (Chart 14<sup>2</sup>). They maintained this rate during the second quarter and most of the third, but declined in the autumn.

Exports of three commodities—petroleum (and products), raw cotton, and wheat—together increased by \$850 million and accounted for nearly one-half of the increase in total United States merchandise exports between the first half of

1956 and the first half of 1957. The large rise in petroleum shipments resulted from the temporary disruption of traffic through the Suez Canal. Cotton shipments, which had been abnormally low in 1955-56 prior to the reduction in the United States export price to world market levels, rose to exceptionally high amounts as foreign stocks were rebuilt. Exports of wheat were unusually large, primarily because of the poor European harvest in 1956 and large special-program shipments to Asian countries.

In addition to these special circumstances, United States exports benefited from reductions achieved in trade barriers abroad and, until mid-1957, from the general buoyancy of foreign demand. Sales of both industrial materials and capital equipment rose as industrial activity expanded abroad (Table 9). Exports of many products, such as steel, scrap, and machinery, were facilitated by the possibility of obtaining delivery more rapidly from the United States than from other sources, though this entailed some additional upward pressure on United States prices of such goods. Exports of consumer finished goods, on the other hand, rose more slowly.

As the year progressed, foreign demand for United States output declined from the very high rate of the early months. Late in the year, the volume of exports had fallen to a level slightly below that of 12 months earlier and was at an

TABLE 8.—Changes in world trade, 1955-57

Area	Exports			Imports		
	July 1956- June 1957 (billions of dollars)	Percentage increase		July 1956- June 1957 (billions of dollars)	Percentage increase	
		First half 1955 to first half 1956	First half 1956 to first half 1957		First half 1955 to first half 1956	First half 1956 to first half 1957
World <sup>1</sup>	94.9	12.2	10.9	103.1	11.0	11.9
Northern North America <sup>2</sup>	24.1	16.8	18.7	20.7	17.9	3.5
Latin America	8.6	10.6	2.1	8.3	2.7	14.4
Western Europe (OEEC countries)	38.3	12.2	11.8	45.5	10.5	14.0
To or from other Western European countries	19.7	11.3	12.9	20.2	11.6	11.9
To or from other areas	18.6	13.0	10.7	25.3	9.7	15.7
Overseas territories of continental Western Europe	2.8	6.8	.7	3.7	2.5	18.0
Outer sterling area	12.0	5.9	4.5	12.8	7.1	7.3
Middle East <sup>3</sup>	2.2	24.5	3.4	2.2	11.9	1.8
Far East <sup>3</sup>	4.7	14.2	12.4	6.9	17.8	34.0
Other countries <sup>3</sup>	2.2	2.2	8.4	3.0	9.3	12.1

<sup>1</sup> Excludes U.S.S.R. and other members of the Soviet bloc.

<sup>2</sup> Exports exclude military aid shipments by United States and Canada.

<sup>3</sup> Excludes countries belonging to the sterling area.

Sources: Department of Commerce, based on data from United Nations and Organization for European Economic Cooperation.

TABLE 9.—*U. S. merchandise exports and imports, 1953-57*

(Millions of dollars)

Commodity group	1953-55	1956	1957		
	Quarterly average		First quarter	Second quarter	Third quarter
Domestic exports <sup>1</sup> . . . . .	3, 248	4, 286	5, 043	5, 089	4, 437
Producers' supplies and materials:					
Cotton, tobacco, and other agricultural materials . . . . .	305	366	531	433	378
Nonagricultural materials . . . . .	1, 055	1, 474	1, 847	1, 847	1, 625
Capital equipment . . . . .	1, 036	1, 326	1, 432	1, 643	1, 430
Consumer goods:					
Food . . . . .	464	685	762	709	595
Other consumer goods . . . . .	346	380	396	397	348
Miscellaneous . . . . .	43	56	75	60	61
General imports . . . . .	2, 706	3, 151	3, 237	3, 205	3, 197
Producers' supplies and materials:					
Petroleum and products . . . . .	219	320	360	382	406
Other materials used in production of nondurable goods <sup>2</sup> . . . . .	514	570	580	560	518
Materials used in production of durable goods . . . . .	756	918	834	884	873
Materials used in agriculture . . . . .	94	84	94	101	85
Capital equipment <sup>3</sup> . . . . .	58	92	105	108	92
Consumer goods:					
Food, beverages, and drugs . . . . .	797	793	879	737	747
Other consumer goods . . . . .	228	318	332	359	414
Miscellaneous . . . . .	40	55	53	74	62

<sup>1</sup> Excludes military aid, and motion picture films exported on a royalty basis.<sup>2</sup> Includes newsprint and paper base stocks and tobacco.<sup>3</sup> Includes agricultural machinery.

NOTE.—Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

annual rate markedly lower than in the first six months of 1957.

The expansion of imports into this country, though much smaller than the rise in exports, was fairly general and substantial from 1954 to 1956. Further growth of imports has been limited, with increases occurring chiefly in petroleum and products and consumer manufactures including automobiles (Table 9). Imports of industrial materials, other than petroleum, which had constituted nearly half of total imports in 1953-56, reflected the decline in domestic manufacturing production and showed some effect of reductions in prices.

#### International Financial Developments

Disparities between movements in exports and in imports gave rise to some exceptionally large trade deficits and consequent difficulties in inter-

national payments. In India, heavy private and public demands generated by the program for economic development caused the trade deficit to increase by an annual rate of more than \$600 million from the first half of 1955 to the first half of 1957. Smaller increases occurred in some other less developed countries. Trade deficits also rose in some of the industrially more advanced countries over the same two-year period—by an annual rate of \$1,550 million in France, almost \$1,400 million in Japan, and \$640 million in the Netherlands. These changes had their counterpart in increased trade surpluses of a few other countries. That of the United States rose by an annual rate of \$4,500 million and that of Western Germany by a rate of \$600 million.

The deficits and surpluses arising in international trade in the recent past were to a large extent offset by capital movements. Much of the

large increase in the excess of our exports over imports of goods and services in the last few years was made possible by a rapid growth in the outflow of United States private capital. Although private American investment abroad fell sharply in the third quarter of 1957, it was still relatively high. United States Government grants and credits remained close to previous levels and continued to contribute significantly to our export surplus (Chart 14<sup>2</sup>).

In a number of countries, however, trade balances were not covered by capital movements; and in several cases capital outflows, particularly of a speculative nature, increased rather than alleviated these strains. The United Kingdom achieved a surplus on current account but experienced a still larger outflow of capital. Much of this outflow was due to speculative operations, concentrated first during the period of the Suez crisis and again during the summer of 1957.

The net result of these movements on trade and capital account was a sharp fall in the gold and foreign exchange reserves of a number of countries, notably France, the United Kingdom, India, Japan, the Netherlands, and Belgium. In addition, heavy demands were made upon the resources of the International Monetary Fund, and further credits were obtained through the European Payments Union. Part of these gold and exchange resources were used in settlements with the United States. The net decline in the gold and dollar balances of foreign countries and of international institutions attributable to transactions with this country amounted to \$900 million during the year ended September 30, 1957. A substantial inflow of foreign capital played a role in these movements; some of these assets are potential sources of additions to foreign currency reserves.

Certain foreign countries, however, added significantly to their gold and foreign exchange holdings during that period. The increase amounted to \$1,650 million in Western Germany. Other major increases were \$800 million in Venezuela and \$300 million in Canada, influenced in both cases by large capital inflows, chiefly from the United States. Australia's gold and foreign exchange holdings, mainly in sterling, rose by about \$500 million.

In several countries, notably the United King-

dom, the Netherlands, and Japan, exchange positions took a turn for the better before the end of 1957. Credit policy, operating externally on speculation and internally on investments and inventories, was the major corrective measure. France, however, responded to continued losses of exchange reserves by devaluing the franc and tightening trade controls. Within the French economy, the pressure of demand remained strong and consumer prices rose further, whereas in most European countries retail prices increased much less than in other recent years.

Western Germany's strong external position and some easing of domestic demand permitted a reduction in its central bank discount rate while other countries were raising theirs. Western Germany was also able to provide some direct relief to the international payments situation by prepayments on long-term debts and by new loans.

Demand in the nonindustrial countries has continued strong, as shown by the further rise in the imports of this group of countries in the third quarter of 1957. Thus, United States exports of machinery to Latin America in that period expanded further, although machinery exports to Canada and Western Europe declined. In a number of the less developed countries, the increases in imports reflected, in part, inflationary internal conditions and resulted in continued difficulties in international payments.

The foreign exchange earnings of a number of countries heavily dependent on the export of primary products have been reduced as the result of declines in prices of certain commodities—including minerals and metals and some foodstuffs and fibres—as enlarged capacity and output encountered some slackening in export demand. The effective buying power of the primary producing countries has been further impaired by the rise in prices paid for imports of manufactured goods.

#### **Future Problems and Policies**

Although world production and trade are, for the time being, not rising at the rapid rate of recent years, the possibilities for further advance remain great. Potential demands abroad for consumer goods, for public facilities, and for other types of investments continue to be large. Most governments today recognize a responsibility for pursuing policies to promote high levels of

<sup>2</sup> Not printed here.



economic activity. The industrially less developed countries are eager to push ahead with their economic development. Vigorous growth abroad will help fulfill universal aspirations for economic betterment and can result in a rising level of demand for United States goods and services.

The actual course of foreign economic developments will be influenced in significant measure by developments in our own economy and in our foreign and domestic policies. Whether potential external demands for our goods and services materialize will depend primarily upon foreign opportunities to earn dollars through exports to the United States or to obtain loans and investments. These opportunities have expanded swiftly ever since the end of the war, with only minor interruptions, and have played an essential role in world economic growth. If the outflow of dollar payments should cease to grow or should contract, the continuation of economic expansion abroad would become more difficult to achieve and measures aimed at restricting purchases from the United States might result, because of lack of dollars to pay for them. A continued rise in the outflow of dollar payments, on the other hand, would make for a mutually reinforcing economic expansion here and abroad.

The economic policies of the United States, both domestic and foreign, have an important bearing on these prospects. In the field of domestic economic policy, growth and stability are important objectives not only for this country's welfare but also for their effects on foreign countries through our imports and in other ways. In the field of foreign economic policy, our aims are expressed in programs of economic and technical assistance for promoting economic development abroad and in efforts to extend the liberalization of trade.

In all of this, we stand to benefit not only by the rise in foreign demand for our exports but also by the increase in foreign capacity to meet our import needs. The contribution made by imports to our welfare includes the satisfaction of certain essential requirements and a widening of the variety of goods available to our consumers and producers. These results are to the good of the Nation. It would be a grave loss to impede our access to needed imports or to isolate our-

selves from the specializations and skills of other countries.

## CHAPTER 5

### A LEGISLATIVE PROGRAM TO HELP ACHIEVE NATIONAL ECONOMIC GOALS

#### Foreign Economic Policy

Now more than ever the United States must ensure that its foreign economic policy is soundly conceived in the interest of the Nation as a whole and is adequate to the changing needs of the times. Gratifying gains have already been achieved in the scope and freedom of international trade and financial transactions. Important legislative steps remain to be taken in the field of foreign economic policy if we are to deal successfully with the problems confronting us.

The keystone of our foreign trade policy is the Trade Agreements Act, shortly up for renewal. Under that Act, as extended from time to time by the Congress, trade barriers against United States goods have been reduced on a wide front. The most important results are embodied in the General Agreement on Tariffs and Trade, to which 37 countries accounting for more than 80 percent of world trade are now signatories. Through the General Agreement we have secured conditions conducive to the increase of our exports. We have succeeded not only in reducing tariffs against our goods but also, owing in large part to the multilateral obligations provided by the General Agreement, in greatly reducing the quantitative controls abroad which were so prevalent before and, for a time, after the war.

While the national interest demands a growing two-way flow of trade, certain recognized safeguards have been established. These include "escape clause" relief for industries which have experienced, or are threatened with, serious injury as a result of tariff concessions on imports. To assist him in the consideration of Tariff Commission investigations in such cases, and to advise on the administration of the trade agreements program generally, the President has established the Trade Policy Committee at the Cabinet level with the Secretary of Commerce as Chairman.<sup>3</sup>

<sup>3</sup> BULLETIN of Dec. 16, 1957, p. 957.

The preservation and extension of the benefits obtained from widening the channels of world trade will depend heavily on the direction taken by American trade policy in the next year. The decisions made will have a significant bearing on the economic fortunes and policies of our trading partners, and particularly on the success of the steps being taken toward closer integration in Western Europe through the Common Market now starting among six countries and through the Free Trade Area under negotiation for the region as a whole. It is basic to our interests and to those of the larger community of nations that these new groups pursue policies favoring the expansion of international trade and that they contribute effectively to the economic growth and unity of the free world.

To meet these needs, three major elements are required in our trade agreements program. First, the Trade Agreements Act should be extended for five years from the date of its expiration on June 30, 1958. This action would confirm our continued adherence to the principles which the Act embodies, and would enable the United States to carry on necessary negotiations in behalf of our export trade during the crucial formative period which lies ahead in Western Europe.

Second, additional authority is needed to make tariff concessions to enable us to conduct trade negotiations successfully. Congress will be requested to authorize the reduction of any duty existing on July 1, 1958, by 5 percent per year over a 5-year period, or by an equivalent total amount in not less than three stages with a maximum of 10 percent in any one year. The President would also be authorized, alternatively, to reduce any rate of duty by 3 percentage points *ad valorem*, without any yearly reduction exceeding 1 percentage point, or to reduce any rate to 50 percent *ad valorem*, if the existing duty is in excess of that amount, without any yearly reduction exceeding one-third of that difference. The negotiation of tariff reductions would remain subject to the safeguards now in the Act, and additional safeguards would be provided to permit prompt and more effective relief to domestic industries through escape clause proceedings.

Third, we need a formally constituted center to serve as the administrative organ for the General Agreement. Such a center would provide a more effective means for reviewing developments affect-

ing trade and for considering disputes arising out of undertakings among signatories to the General Agreement. The Congress is requested to help constitute this center by enacting legislation authorizing United States membership in the Organization for Trade Cooperation.

In addition to the trade agreements program, the Congress will have before it certain other measures relating to our foreign trade. These include the extension of the Export Control Act, which expires on June 30 of this year; bills amending certain provisions concerning customs administration in the Tariff Act of 1930; and amendments to the Antidumping Act of 1921, designed to improve the administration of the Act, which have been approved by the House of Representatives and are awaiting action by the Senate. Favorable action is needed on all of these measures.

The various measures of United States assistance to, and cooperation with, other countries have played a significant role in strengthening national economies abroad. Direct United States Government loans and grants and the investment guaranty program have assisted economic recovery and development abroad since the war. United States expenditures overseas for military and other purposes have increased the foreign exchange resources of many countries. Technical assistance to foreign countries has been provided by the United States, both through our own bilateral programs and through the United Nations. Some of the largest agreements under Public Law 480 have benefited industrially less-developed countries.

Much assistance has also been obtained from private sources and international agencies. Private capital has been invested abroad in increasing volume, carrying with it the benefit of American managerial and technical experience. Public and private funds have been channeled through the International Bank for Reconstruction and Development and its affiliate, the International Finance Corporation. The International Monetary Fund has played a key role in helping countries take actions to strengthen their currencies and in assisting them to overcome temporary foreign exchange difficulties.

Our Mutual Security Program is designed to strengthen the nations whose independence and welfare are essential to our own. This calls not only for military assistance but for economic support also, since some countries cannot, without such

support, make the military effort needed in the common interest. Further, it would be illusory to aim only at strengthening military security in a narrow sense. A large part of the world's population—the most rapidly growing part—has so far experienced little improvement in material welfare. Many of these peoples are now emerging into political independence, and we should not lose the opportunity, through appropriate programs of assistance, to strengthen their confidence in the possibilities of economic growth under free institutions. Some other highly developed countries are able to participate in this endeavor. An additional reason for welcoming the new moves toward greater economic integration in Western Europe is that they should increase the foreign resources available for this purpose.

For the fiscal year 1959, an additional appropriation will be required for the Development

Loan Fund which was authorized in 1957 to facilitate financing economic development projects in underdeveloped countries. The amount that will be requested is needed to permit effective operation of the Fund. Appropriations requested for technical assistance will include an increase in our contribution to the United Nations program in this field.

An increase is being requested in the lending authority of the Export-Import Bank. The Bank's activities in financing exports are directly helpful in promoting production and employment in the United States economy as well as in assisting the economic development of foreign countries. The Bank has the widespread support of our banking and foreign trade communities, and its funds are often loaned jointly with private capital, thus reducing the demand for public funds.

## U. S. Participation in the United Nations During 1956

*Following is the text of a letter from President Eisenhower transmitting to the Congress the 11th annual report on U.S. participation in the United Nations.<sup>1</sup>*

*To the Congress of the United States:*

I transmit herewith, pursuant to the United Nations Participation Act, the eleventh annual report, covering United States participation in the United Nations during the year 1956.

1956 was a year of great peril to world peace and thus a stringent test for the United Nations—notably because of the crises in Egypt and in Hungary.

In Egypt the United Nations caused the world to turn away from war. Through a series of resolutions, the General Assembly effectively mobilized world opinion to achieve a cease-fire, and France and the United Kingdom shortly agreed to withdraw their forces. The Assembly's

moral pressure played a powerful part in securing the withdrawal of Israeli forces from Egyptian territory in March of this year.

In the case of Hungary, the Assembly succeeded by massive votes in mobilizing opinion against the Soviet Union's blatant disregard of its obligations under the Charter of the United Nations. Although it has so far been impossible by peaceful means to secure freedom for the people of Hungary, this mobilization did arouse a strong revulsion around the world against Soviet imperialism.

The sharp contrast between the response of France, the United Kingdom and Israel on the one hand, and the Soviet Union on the other to the call of world opinion, is striking.

The Secretary-General deserves particular commendation for his role in the United Nations actions during the Middle East crisis. As requested by the General Assembly, he developed within forty-eight hours a plan to set up, with the consent of the nations involved, the United Nations Emergency Force "to secure and supervise the cessation of hostilities." The Force took up its position in the Suez Canal area and later

<sup>1</sup> Reprinted from *U.S. Participation in the UN: Report by the President to the Congress for the year 1956* (H. Doc. 202, 85th Cong., 1st sess.) ; Department of State publication 6577, for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C. (325 pp., \$1).

moved to other positions along the armistice demarcation lines. Today, it remains the guardian of peace in the sensitive Gaza and Sharm-el-Sheikh areas. The concept inherent in this Force constitutes a potentially important development for the future of the United Nations as an increasingly effective instrument for maintaining peace.

Under a mandate from the General Assembly, the Secretary-General also organized a fleet of more than forty salvage vessels to remove the obstructions with which the Suez Canal had been blocked during the hostilities. By April 24, 1957, the Canal was fully open and had resumed its role as an important artery in world commerce.

Thus the United Nations dealt effectively with a grave situation which could have caused general war. The restoration and maintenance of relative calm gives the United Nations the opportunity to work for the long-range solutions in the Middle East which alone can guarantee against the outbreak of new fighting.

Unlike the crisis in the Middle East, the situation in Hungary presented the problem of what the United Nations can do when one of its members refuses to respond to the peacemaking efforts of the General Assembly.

What began as a peaceful student demonstration in Budapest on October 23, 1956, mushroomed into a nation-wide uprising of the Hungarian people aimed at national independence. It was crushed only through massive Soviet armed intervention. The United States proposed a resolution in the Security Council calling on the Soviet Union to withdraw its troops. When this resolution was vetoed by the Soviet Union, a special emergency session of the General Assembly was convened under the "Uniting for Peace" procedure.

As the climax of a historic series of resolutions, the General Assembly on December 12 condemned the Soviet Union's violation of the United Nations Charter "in depriving Hungary of its liberty and independence and the Hungarian people of the exercise of their fundamental rights." It again requested the Soviet Union to halt its intervention in Hungary's internal affairs, withdraw its troops from Hungary, and permit re-establishment of Hungary's political independence. To these requests, the Soviet Union turned a deaf ear.

On January 10, 1957, the General Assembly

established a Special Committee on the Problem of Hungary consisting of representatives of Australia, Ceylon, Denmark, Tunisia, and Uruguay—a committee drawn from five continents—and instructed it to investigate the Hungarian situation. Denied admission to Hungary by the Kadar regime, the Committee carried out its mandate by collecting authentic evidence elsewhere, mainly from eye witnesses who had fled Hungary. The results of this investigation were published in the Special Committee's report.<sup>2</sup> They clearly refuted on a point-by-point basis the Soviet version of events in Hungary. The report confirmed that the purpose of the Soviet intervention was the suppression of the legitimate demands of the Hungarian people for freedom and independence. It revealed the naked truth of the ruthlessness of the Soviet intervention and its utter disregard for national sovereignty and basic human rights.

It was this report which led to the reconvening of the Assembly on September 10, 1957, and to the second resolution again condemning Soviet conduct, which was adopted by 60 votes to 10.

The United Nations succeeded in stopping the fighting in the Middle East because the parties involved complied with the recommendations of the General Assembly. In the case of Hungary, United Nations action was frustrated because the Soviet Union refused to comply with its recommendations. The blame lies not with the United Nations but squarely on the shoulders of the men of the Kremlin who rely on force to keep Hungary from regaining its freedom.

The record of the United Nations clearly demonstrates that the processes of consultation, compromise, debate, and agreement are capable of relaxing tensions and resolving disputes if nations are willing to respect the opinions of mankind.

I was particularly pleased to note the progress made, under the aegis of the United Nations, in the fields of disarmament and the peaceful uses of atomic energy. The United Nations Disarmament Subcommittee has been the center for serious negotiations which we all hope will lead to a mutually acceptable agreement. The establishment of the International Atomic Energy Agency has been especially promising.

<sup>2</sup> For an excerpt from the report, see BULLETIN of July 8, 1957, p. 63.



The United States welcomed the constructive work done by the United Nations over the past year towards the achievement of self-government and independence in the dependent areas and trust territories. The independence of Ghana and the termination of the United Nations trusteeship over Togoland under British administration constitute notable achievements.

By the admission of Sudan, Morocco, Tunisia, Japan, Ghana, and most recently the Federation of Malaya, the United Nations has increased its membership to eighty-two. However, the Republic of Korea and the Republic of Viet-Nam are still excluded by the Soviet veto in the Security Council. The United States considers their admission necessary and desirable and will continue its efforts to bring about their entry into the Organization.

The humanitarian activities of the United Nations Relief and Works Agency for Palestine Refugees in providing minimum subsistence and housing for over 900,000 refugees in the Near East were continued by the General Assembly with United States support. Although the Agency is doing an excellent job under trying circumstances, we must find a permanent solution to the Palestine refugee problem.

The economic and social activities of the United Nations have become increasingly effective. Through many channels and in numerous programs, the United Nations and the Specialized Agencies have contributed to the economic progress of the newly developing areas of the world and, in the words of the United Nations Charter, "the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations." This report gives a full account of many of the strikingly successful battles the Specialized Agencies have fought and won against disease, hunger, and illiteracy in many lands.

It has been the continuing pledge of the United States to give full support to the United Nations and to seek constantly for ways to increase its strength and to develop its effectiveness as an instrument to maintain world peace. This report to the Congress contains concrete proof that we are keeping that pledge.

DWIGHT D. EISENHOWER

THE WHITE HOUSE,  
January 13, 1958.

February 10, 1958

## U.S. Offers Further Assistance to Atomic Energy Agency

Press release 17 dated January 18

The United States Government on January 18 made three new offers of assistance to speed the work of the new International Atomic Energy Agency and to insure the future supply of nuclear scientists available to the Agency and its members.

In three separate actions, announced at the Agency headquarters in Vienna by Robert McKinney, the U.S. representative to the IAEA, the U.S. Government:

1. offered to make available to the Agency, on a cost-free basis, the services of 20 to 30 expert consultants in the field of peaceful uses of atomic energy;
2. offered to provide approximately 120 fellowships over the next 2 years for training in nuclear sciences in the United States; and
3. indicated that it would contribute up to \$125,000 toward a \$250,000 Agency fellowship fund for similar training in member states throughout the world. This contribution from the United States would be limited to 50 percent of the total contributions to this fund.

Mr. McKinney estimated that these proposals involve about one million dollars worth of training.

The offer of technical consultants is intended to permit the Agency to provide the services of experts or teams of experts to countries desiring Agency assistance in the evaluation of their national programs, particularly those countries less advanced in nuclear development. The program is designed to permit immediate availability of consultative service before the Agency is sufficiently staffed to carry out such work with its own personnel.

The variety of skills represented among the consultants would permit the composition of teams, where necessary, to provide expert advice in the various peaceful fields of atomic science, such as its application to medicine, agriculture, industry, and nuclear power.

Such services would facilitate the preparation of projects by countries desiring further Agency assistance. Mr. McKinney expressed the hope of

the U.S. Government that other member states possessing the technological capability would find it possible likewise to make specialists available to the Agency, thus permitting the organization of international teams.

The U.S. representative added that the United States was gratified at the progress being made by the newly created Agency. The actions of the Board of Governors and the Director General and his staff since the first general conference in October have been heretofore primarily concerned with organizational problems. However, the current session is the first to take up the Agency's future substantive program. Mr. McKinney noted that the new United States contribution to the Agency constituted further confirmation of the United States desire to see the Agency play a major role in the worldwide development of atomic energy for peaceful purposes.

The United States Government has previously offered to the Agency, on terms to be agreed, 5,000 kilograms of enriched uranium and to match similar contributions of materials by other countries through June 1960. It has already announced the matching of the contributions made at the IAEA general conference last October by the Soviet Union, Great Britain, and Portugal. In addition, the United States has indicated its intention to make available to the Agency a research reactor, a technical atomic-energy library, and isotope laboratories.<sup>1</sup>

#### TREATY INFORMATION

### Current Actions

#### MULTILATERAL

##### Automotive Traffic

Convention concerning customs facilities for touring. Done at New York June 4, 1954. Entered into force September 11, 1957. TIAS 3879.

*Accession deposited:* Hashemite Kingdom of Jordan, December 18, 1957.

Customs convention on temporary importation of private road vehicles. Done at New York June 4, 1954. Entered into force December 15, 1957. TIAS 3943.

<sup>1</sup> For text of remarks by Mr. McKinney at the first regular session of the general conference at Vienna on Oct. 11, 1957, see BULLETIN of Nov. 25, 1957, p. 857.

*Accession deposited:* Hashemite Kingdom of Jordan, December 18, 1957.

#### Aviation

Protocol to amend convention for unification of certain rules relating to international carriage by air signed at Warsaw October 12, 1929 (49 Stat. 3000). Done at The Hague September 28, 1955.<sup>1</sup>

*Ratification deposited:* Czechoslovakia, November 23, 1957.

#### BILATERAL

##### Australia

Agreement to facilitate the interchange of patent rights and technical information for defense purposes, with exchange of notes. Signed at Washington January 24, 1958. Entered into force January 24, 1958.

##### El Salvador

Treaty of friendship, commerce and consular rights. Signed at San Salvador February 22, 1926. Entered into force September 5, 1930. 46 Stat. 2817.

*Terminated:* February 7, 1958 (pursuant to notification given by the United States).

##### Poland

Agreement amending the agricultural commodities agreement of June 7, 1957, as amended (TIAS 3839 and 3878). Effected by exchange of notes at Washington January 8, 1958. Entered into force January 8, 1958.

#### DEPARTMENT AND FOREIGN SERVICE

### Consultant on Agricultural Aspects of Foreign Economic Programs Named

The Department of State announced on January 20 (press release 21) that John H. Davis, director of the program of agriculture and business at the Graduate School of Business Administration, Harvard University, has been appointed consultant in the Department of State. He will advise Douglas Dillon, Deputy Under Secretary for Economic Affairs.

Dr. Davis will examine and advise upon problems arising in relation to agricultural aspects of foreign economic programs of the United States. He will have the assistance of a staff drawn from the Department of State, the Department of Agriculture, the International Cooperation Administration, and other interested Government agencies. Dr. Davis will work closely with the President's Council on Foreign Economic Policy and its staff.

#### Confirmations

The Senate on January 23 confirmed Robert M. McKinney to be the representative of the United States to the International Atomic Energy Agency.

<sup>1</sup> Not in force.

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**Check List of Department of State Press Releases: January 20-26**

Releases may be obtained from the News Division, Department of State, Washington 25, D. C.

Press releases issued prior to January 20 which appear in this issue of the BULLETIN are Nos. 9 of January 11, 12 of January 14, 17 of January 18, and 20 of January 16.

No.	Date	Subject
21	1/20	Davis appointed consultant on agriculture (rewrite).
*22	1/20	Return of Ambassador Allison.
23	1/20	Observer delegation to Baghdad Pact.
24	1/22	Department reply to Soviet statement on Baghdad Pact.
*25	1/23	Death of Claude Bowers.
*26	1/23	Wharton nominated Minister to Rumania (biographic details).
*27	1/23	Johnson nominated Ambassador to Thailand (biographic details).
*28	1/23	Jones nominated Ambassador to Libya (biographic details).
†29	1/24	Agreement with Australia on defense use of technology.
†30	1/24	Dillon: "Mr. Khrushchev's Trade Challenge—Will We Meet It?"
†31	1/24	Tenth anniversary of educational exchange program.
†32	1/24	Holmes: "Africa: Its Challenge to the West."

\*Not printed.

†Held for a later issue of the BULLETIN.

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